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Issue and Challenges on Zakat Refund Distribution

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Abstract
Zakat is the most efficient way to help the poor and needy improve their living standards or achieve their ‘dharuriyyat’ and ‘hajiyyat’ needs. Furthermore, zakat institutions have been exposed to many challenges that hinder the efficiency of the institutions in administering the zakat distribution including inadequate data records, the shortage of staffing, and geographical factors. Thus, zakat authority introduces a zakat refund known as wakalah that would allow zakat payers to distribute zakat refunds to the asnaf group who are eligible through the return of a certain amount of zakat money paid. Zakat institutions take the initiative to collaborate with financial institutions focused on this study Bank Muamalat Malaysia Berhad (BMMB) as wakil on zakat refund distribution. Therefore, this study aims to explain the issues and challenges in managing zakat refund distribution, especially BMMB, and identify the solutions that the BMMB has implemented in dealing with the issues. Two research methods were used in completing this study; firstly, interviews were conducted with three experts in the field of zakat refund at BMMB. The second method involves a literature review to help explain more precisely. The finding shows issues regarding the account, haul, and rightful beneficiaries in managing zakat refund distribution in BMMB. However, the BMMB managed to overcome the issues with appropriate methods and solutions to perform its duties as a representative on behalf of the zakat institution.

Keywords: Zakat, Zakat Refunds, Wakil, Wakalah, Wakalah Zakat

Introduction
Zakat is one of Islam's five pillars. Zakat refers explicitly to growth and expansion (Harahap, 2018). Based on surah al-Baqarah verse 43, paying zakat, the third pillar of Islam, is mandatory for every Muslim who has satisfied the qualifications to cleanse their possessions by distributing the zakat to the beneficiaries. Zakat can cleanse a person's sin by performing his responsibility to pay zakat and improve the reward and the individual's well-being. The
classical scholar Ibn Taymiyyah stated that zakat makes the soul of the zakat payer better morally and spiritually and cleans the person's wealth (Abu Bakar, Ibrahim, & Md Noh, 2014).

It is an Islamic responsibility for entire Muslims who are qualified to give zakat money by contributing at least 2.5% of their acquired fortune or possessions to the poor, needy, and other eligible recipients. Zakat is intended to deliver assistance and aid and enhance the welfare of people who are eligible to receive the zakat (Noor & Pickup, 2017). According to Saad & Al Foori (2020), zakat is the most efficient way to help the poor and needy. Islam frequently emphasized that Muslims need to take the function of zakat seriously, especially in helping the lives of the oppressed. The portion of zakat obtained by the poor should assist in improving their standard of living or in achieving their 'dharuriyyat' and 'hajjyyat' needs, which constitute the basic needs in living (Saad & Al Foori, 2020).

Direct MAIWP zakat collection and distribution increased yearly despite the country's economic situation being quite challenging due to the spread of COVID-19. The diagram below shows that the rate of collection and distribution of zakat increased from 2019 to 2020 (MAIWP, 2020).

![Figure 1: Collection and Distribution of Zakat MAIWP](image)

However, some issues in the distribution of zakat may hinder the distribution process's effectiveness. Among them is the inadequacy of unqualified staff in zakat institutions, inefficient distribution, inadequate data records, the shortage of staffing, and geographical factors. The inadequacy of unqualified staff in zakat institutions is due to the staff who lack of knowledge and expertise regarding zakat and its distribution, which causes the ineffectiveness of zakat management (Osmera et al., 2021). Next, for inadequate data records, zakat institutions cannot correctly track zakat beneficiaries (Owoyemi, 2020). Although in the era of digital technology, this occurs because it is difficult to obtain precise information about possible beneficiaries, particularly those who reside in remote villages. Furthermore, the list of beneficiaries is not updated regularly because some recipients are already deceased or have relocated.

All these difficulties lead to challenges in the recipient screening process, and why some ineligible beneficiaries get monthly zakat money as there are no one optimum criteria for determining whether beneficiaries provide accurate information, the zakat organizations'...
ability to disburse zakat efficiently is hindered. This occurs when there are insufficient workers to manage all the recipients, including ongoing monitoring to ensure that those who may require help are not overlooked. The last challenge is the geographical factor in whether a person is eligible to receive the zakat money but lives in remote areas. This will lead to difficulties for the zakat institutions to identify the *asnaf* that should receive the zakat contribution (Osmera et al., 2021)

Considering the zakat distribution issue, zakat institutions introduce zakat refunds known as *wakalah*. Al-*Wakalah* zakat means MAIWP delegates authority to zakat payers to distribute zakat refunds to the *asnaf* group who are eligible through the return of a certain amount of zakat money paid based on the conditions that have been set (MAIWP, 2015). Zakat payers, including individuals, companies, employers, and higher education institutions, distribute themselves to *asnaf* (Shaitte, 2021). In the current financial year, all refunds to zakat payers will be recognized as an advance under the current assets of MAIWP. This zakat money needs to be distributed to the *asnaf* who are eligible within a year. The advance will be recognized as a distribution expense in the year it is involved (MAIWP, 2019).

The *Wakalah* Zakat distribution by MAIWP throughout the year 2017 to 2020 can be shown in the table below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Wakalah Zakat Distribution (RM Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>59.12</td>
</tr>
<tr>
<td>2018</td>
<td>56.20</td>
</tr>
<tr>
<td>2019</td>
<td>62.98</td>
</tr>
<tr>
<td>2020</td>
<td>87.71</td>
</tr>
</tbody>
</table>

Source: MAIWP’s Annual Report 2017 to 2020

From the table above, the *Wakalah* Zakat distribution gradually increased from 2017 to 2020. This shows that the initiative has taken the interest and involvement of the zakat payer to pay the zakat as the initiative aimed to encourage companies and organizations that are eligible to issue zakat to come forward to pay business zakat and disburse the fund to the *asnaf* by themselves (Abdul Wahab & Borhan, 2014).

Zakat institutions taking the initiative to collaborate with financial institutions in boosting the zakat distribution were called zakat refund through *wakalah* contract. The Islamic banks that fulfill their responsibility to pay zakat on their financial activities to the
Islamic Religious Council can apply the *wakalah* contract to receive the zakat money back from the Islamic Religious Council. The process of managing zakat through the *wakalah* contract by the Islamic Religious Council that acts as a principle (al-muwakkil) begins with the receipt of the completed form in the filling or application letter to become a representative (al-wakil) (Shaiffe, 2021). Bank Muamalat Malaysia Berhad (BMMB) is one of the financial institutions that has received zakat refunds from MAIWP, amounting to RM 1,017,302.82. (BMMB Annual Report, 2021).

However, several challenges occur for banks in performing their duties as representatives in distributing zakat refunds. With that, this study focuses on the issues and challenges BMMB banking institutions face in implementing zakat refund distribution.

**Literature Review**

**Zakat Refund**

For many years, PPZ (Pusat Pungutan Zakat), a subsidiary of the Federal Territory Islamic Religious Council (Majlis Agama Islam Wilayah Persekutuan or MAIWP), has been a pioneer in collecting zakat and distributing it to the *asnaf*. Many procedures and techniques have been used to increase zakat collection, and the amount of zakat collected yearly. Based on previous research from Paizin & Abd Aziz (2021), *Wakalah Zakat Programme* is one example of an effectively implemented development. This initiative is part of the MAIWP policy of redistributing a percentage of the zakat money provided to the PPZ to entities that pay zakat to the PPZ. The researchers also provide recommendations to improve the *Wakalah Zakat* Programme and management to PPZ and MAIWP’s management, such as diversifying resources for digital transformation and staying current with technology by creating an online platform leveraging blockchain technology. Second, adopt a motivational model by eliminating re-application each year and rewarding participants with occasional gifts and prizes. Third, invest more resources in public awareness and stakeholder building through social media (Paizin & Abd Aziz, 2021).

In addition, a study by Ariff (2021), mentioned that MAIWP had introduced the *Wakalah* concept in 2011. The researcher also elaborated that MAIWP assigned the authority to the zakat payer to distribute the zakat money to the eligible *asnaf* through the return of a sum of zakat paid based on the predefined conditions. In 2011, MAIWP received 58 applications under the company category with a total MAIWP-approved payment of RM11.49 million. In 2020, the applications increased by 441.38%, with 314 applications, and total payments increased to RM51.29 million by 73.22% (Ariff, 2021).

Next, according to Shaiffe & Hassan (2019), the zakat institution had established the mechanism for distribution of zakat money through the WAZA (*Wakalah Zakat*). The concept of WAZA can simplify that the zakat institution appointed a muzakki (individuals, companies, employers, and higher education institutions) to implement zakat distribution. WAZA is managed by the muzzaki, who applied *wakalah* contract to receive the *watikah wakalah* by the zakat institution. The researchers also mentioned that the WAZA mechanism could reduce the liability of zakat institutions towards *asnaf* through the involvement of various parties in helping to identify *asnaf* who are in the vicinity of their area. However, a sustainable hisbah should be practiced by the zakat institution and *wakil* involved in this mechanism (Shaiffe & Hassan, 2019).

Furthermore, Azam & Long (2020) stated that Lembaga Zakat Negeri Kedah (LZNK), through the enactment of Lembaga Zakat Negeri Kedah 2015, has the authority to appoint an agent or *wakil* specifically to manage the collection and distribution of zakat money and the
*wakalah* system had been practiced in Kedah starting from 2015 until the present. Based on the study, the researchers also mentioned that zakat collection could be further improved by improving the quality of service, the establishment of enactment Lembaga Zakat Negeri Kedah 2015 regarding the *wakalah* system, and variations method of zakat payment (Azam & Long, 2020).

Besides, based on the annual report in 2018 of Majlis Agama Islam Wilayah Persekutuan (2018), MAIWP explained that *wakalah* zakat distribution is the refund of zakat money to zakat payers to be distributed to *asnaf* by themselves. During the financial year in 2018, all refunded zakat money to zakat payers will be recognized as advances under MAIWP’s current assets. The refunded zakat money must be distributed to eligible *asnaf* within a year. The advance will then be recognized as a distribution expense in the year of the involvement of the zakat payers (MAIWP, 2019).

**Issues and Challenges in the Management of Zakat Distribution**

According to Abd. Wahab & Abdul Rahman (2013), zakat is directed by the State Islamic Religious Councils (SIRCs) in Malaysia. The institutions are envisioned to enrol a crucial role in supporting zakat's socioeconomic aims in Malaysia. As a result, these institutions must be overseen successfully and efficiently. These zakat institutions have been exposed to severe public inquiry and condemnation since they are public service organizations liable to shareholders and the Muslim public. A cursory inspection would reveal that many parties are sceptical of these organizations' efficiency and efficacy in administering zakat matters in their respective states. The public is concerned about the functioning of zakat institutions since issues of zakat fund misuse and fraud by amil (the collector of zakat monies chosen by the different SIRCs) remain unaddressed (Abd. Wahab & Abdul Rahman, 2013). The practice of disclosure and transparency in zakat management is essential to implement, such as publishing annual reports, conducting financial audits, and providing detailed information regarding the collection and distribution of zakat that is implemented (Sawmar & Mohammed, 2021).

The misused of the zakat fund may develop an unfavourable view in society (mostly among zakat payers, receivers, and others) of zakat fund management. Countless stakeholders may be dissatisfied with the zakat distribution, particularly the poor and destitute, as well as the issue of undistributed zakat. This disappointment may impact society’s confidence (trust), particularly among zakat payers. They may claim that if zakat is distributed properly and justly, Malaysia's poverty issue would steadily decrease, if not completely abolished. The issue is that there are still people in Malaysia who are poor and unable to support their daily life. As a result, zakat payers are eager to pay zakat through illegitimate routes, such as seeking qualified *asnaf* themselves (Embong, Taha, & Mohd Nor, 2013). Zakat institutions should have a proper documentation system that provides channels to record zakat management so that all stakeholders can know all relevant information about their zakat contributions (Taha et al., 2017).

Furthermore, based on the previous research from Ab Rahman et al (2012), although the zakat institution is limited to the poor and needy Muslims, it may be a vital addition to the government’s efforts in eradicating the poverty. Apart from the destitute and poor, the Shariah allows for additional recipients. Its accomplishment would also contribute to mitigating the consequences of the economy’s slump on the disadvantaged via capacity building and perspective modification. The zakat institution’s effectiveness in performing its duties is determined by several factors, including the growth of current zakat resources, the
collection of zakat from tangible and intangible properties, systematic zakat management, efficient zakat distribution, and the thoroughness with which Islamic regulations are implemented (Ab Rahman et al., 2012).

Moreover, according to Paizin (2021) researchers found that there are still shortcomings in managing zakat by amil IPT. Students are still not satisfied with the existence of amil IPT, and there are still weaknesses and tasks that overlap between amil IPT and the institution of zakat or MAIN. The distribution must consider the recipients from students all over the country who are studying at the university, which is burdensome. Therefore, the researcher mentioned that the strategy of appointing amil IPT is to increase the collection and focus on the zakat distribution (Paizin, 2021).

In contemporary times, when zakat is paid to the state or agencies, the distribution is based mainly on the available data of the state and agencies, and this data may not reflect the actual situation on the ground concerning those who need zakat. Sometimes, the state and agencies rely on the people to actively ask for zakat before they are given because they may be unaware of the situation of the people and whether they need zakat (Owoyemi, 2020). Esa et al (2018), also found that the localization method of zakat distribution can help the zakat distribution process more quickly and effectively for the asnaf group of zakat recipients (Esa et al., 2018).

The efficient management of zakat distribution to the asnaf eligible to receive zakat is vital in facing the current challenging era. This is because zakat is a taxation instrument in Islam. It is a unique system of wealth distribution where only the rich and capable are required to issue zakat, which is then distributed directly to eight groups of asnaf such as Fakir, Miskin, Mualaf, Amil, al-Riqab, Ibnu Sabil, Fisabilillah and Gharimin (Omar, 2019).

In addition, based on the previous research from Shaiffe & Hassan (2019), there are two systems in WAZA (Wakalah Zakat) process. The first systems are the application and promotion managed by PPZ-MAIWP, while the second system is the approval and follow-up managed by Baitulmal-MAIWP. Implementing a dual system in Wilayah Persekutuan caused the application of WAZA to be managed by two parties: PPZ-MAIWP and Baitulmal-MAIWP. WAZA distribution report should be reported as a condition for approval for the application to apply WAZA in the following year to ensure that WAZA applicants are trustworthy and transparent in the WAZA distribution process (Shaiffe & Hassan, 2019).

Based on Osmera et al (2021), the committee should ensure that refunded zakat money is wholly distributed. A company/organization that finishes wakalah fund distribution indicates that the institution is committed and proficient in zakat distribution matter. Instead, the representative who does not finish zakat distribution will raise several issues, such as stockpiling of undistributed zakat amount. At the same time, the responsibility of zakat distribution should be borne by the representative. Accumulation of undistributed zakat amount will lead to another issue, such as the accusation that zakat institution is not efficient in zakat distribution. The matter then will pose a negative effect on the level of trust among the public in the zakat institution itself (Osmera et al., 2021).

The results of the study found that there are groups of people who are not satisfied and are not confident with the way zakat distribution is implemented; that is, the distribution obtained is not enough, and they even think that zakat distribution is not given to those who deserve it because there are still many needy groups, but it is given to more capable people. This is undoubtedly a negative perception of the efficiency and transparency of zakat institutions in managing zakat distribution.
Research Methodology
To answer the objective of this study, the researcher has used two methods of data collection involving interviews and library research. The researcher conducted structured interviews to collect primary data for this study. Narratives such as interviews are frequently used in qualitative research (Cropley, 2019). The experts from BMMB with experience in managing zakat refunds were selected as interviewee. The detail of the respondent can be illustrated below:

Table 2
Demographic of Respondents

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Years of Working</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wan Nuraihan Ab Shatar</td>
<td>Section Head of Wakaf and Zakat Management in Social Finance Department</td>
<td>12 years</td>
<td>The respondents are well-versed and involved directly in managing the zakat refund and have extensive knowledge of the role of Bank Muamalat Malaysia Berhad in disbursing the money.</td>
</tr>
</tbody>
</table>

Meanwhile, library research was conducted to obtain data such as annual reports, books, and documents as references. The data will then be arranged according to the thematic analysis to ensure the content is presented wisely.

Finding and Discussion
Issues and Challenges Related to Zakat Refund Distribution Management in Bank Muamalat Malaysia Berhad
According to Ab Shatar (2022), there are several issues related to zakat refund distribution in Bank Muamalat Malaysia Berhad. It can be observed from the interview excerpt:

“Yes, of course, there are some issues. For example, how to ensure the distribution of zakat refund is within the stipulated haul. The next challenge is to identify the rightful beneficiaries because we (Bank Muamalat) don’t want to disburse our zakat money to the non-beneficiaries that could lead to fraud cases or AMLA that is not legit”.

Bank Muamalat Malaysia Berhad faced several issues in managing the zakat refund, such as in the case of the particular account for keeping the zakat refund fund generating income and profit. According to Ab Shatar (2022), Bank Muamalat Malaysia Berhad opened a particular account to keep the zakat refund fund before its distribution. The Bank opened a current account, and the account does not generate any profit and income. A current account is a deposit account that allows the State Islamic Religious Council to make payments in the form of cheques. According to Abd. Wahab & Abdul Rahman (2013), state that the public is concerned about the functioning of zakat institutions since issues of zakat fund misuse and fraud by amil (the collector of zakat monies chosen by the different SIRCs) remain unaddressed (Abd. Wahab & Abdul Rahman, 2013). Based on a previous study by Ahmed Sawmar & Mohammed (2021), The practice of disclosure and transparency in zakat management is essential to implement, such as publishing annual reports, conducting
financial audits, and providing detailed information regarding the collection and distribution of zakat (Sawmar & Mohammed, 2021).

Second, to ensure the distribution of zakat refund is within the stipulated haul. According to Ab Shatar (2022), all State Islamic Religious Council has a similar requirement: the distribution must be within 1 year from the date of the wakalah letter received by Bank Muamalat Malaysia Berhad. The department that manages the zakat refund distribution is the Social Finance Department, and the responsibility of the department not only focuses on zakat, but they also manage sadaqah, infaq, and Maslahah ‘Ammah fund. Based on the previous research from Ab Rahman et al. (2012), although the zakat institution is limited to the poor and needy Muslims, it may be a vital addition to the government’s efforts in eradicating the poverty. Apart from the destitute and poor, the Shariah allows for additional recipients. Its accomplishment would also contribute to mitigating the consequences of the economy’s slump on the disadvantaged via capacity building and perspective modification (Ab Rahman et al., 2012). According to Paizin (2021) the distribution has to consider the recipients from students all over the country who are studying at the university, which is burdensome (Paizin, 2021).

As we know, the State Islamic Religious Council refunded the zakat money to the Bank, and the amount of the fund depends on how much the Bank paid to the State Islamic Religious Council. The difficulties in distributing the zakat refund are based on the refunded amount. If the amount is immense, Bank Muamalat Malaysia Berhad must take double action in utilizing the zakat refund money to comply with the requirement in the wakalah letter. Based on the explanation of MAIWP, all refunded zakat money to zakat payers will be recognized as advances under MAIWP’s current assets, and the refunded zakat money must be distributed to eligible asnaf within a year. The advance will then be recognized as a distribution expense in the year of the involvement of the zakat payers (MAIWP, 2019). Based on Osmera, Wahid & Mohd Noor (2021), the committee should ensure that refunded zakat money is wholly distributed. A company/organization that finishes wakalah fund distribution indicates that the institution is committed and proficient in zakat distribution matter. Instead, the representative who does not finish zakat distribution will raise several issues, such as stockpiling of undistributed zakat amount (Osmera et al., 2021).

Next, Ab Shatar (2022) also stated that the issue faced by Bank Muamalat Malaysia Berhad regarding the management of the zakat refund money is identifying the rightful beneficiaries. As we know, zakat refund fund or zakat money can only be distributed to the eight categories of asnaf. Bank Muamalat Malaysia Berhad had difficulty identifying the right recipients to receive the zakat refund money. Nowadays, many people purposely fill in false information in the application regarding themselves to receive the zakat money. This can lead to fraud cases as the applicants are non-beneficiaries, and they had taken the right of the asnaf. Without sufficient asnaf’s information, Bank Muamalat Malaysia Berhad cannot implement the zakat distribution process effectively, which is one of the factors in the existence of the first issue. The category of asnaf who are easy to detect is 'fakir' and 'miskin'. However, if the Bank only focused on the two groups of asnaf, it would lead to negligence of the other six categories of asnaf (Ab Shatar, 2022). Based on Owoyemi (2020), in contemporary times, when zakat is paid to the state or agencies, the distribution is based mainly on the available data of the state and agencies, and this data may not reflect the actual situation on the ground concerning those who need zakat. Sometimes, the state and agencies rely on the people to actively ask for zakat before they are given because they may be unaware of the situation of the people and whether they need zakat (Owoyemi, 2020).
al (2018) also found that the localization method of zakat distribution can help the zakat distribution process more quickly and effectively for the *asnaf* group of zakat recipients (Esa et al., 2018).

Table 3  
*Issues and Solutions Related to Zakat Distribution Management in BMMB*

<table>
<thead>
<tr>
<th>No.</th>
<th>Category of Issue</th>
<th>Issue</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Account</td>
<td>If the particular account for keeping the zakat refund fund generates any income and profit.</td>
<td>Report the issue to the internal Zakat Committee for notification and further direction.</td>
</tr>
</tbody>
</table>
| 2   | Haul              | To ensure the distribution of zakat refund is within the stipulated haul | i. Supervision by the internal Zakat Committee to oversee the distribution.  
   ii. A tracking mechanism to track the zakat refund distribution by adhering to the timeline, "Updates on Zakat Refund and Maslahah 'Ammah Fund Status."  
   iii. A reminder |
| 3   | Beneficiaries     | To identify the rightful beneficiaries | i. Crosschecking the data of beneficiaries from Bank Muamalat Malaysia Berhad with the Islamic Religious Council according to the states.  
   ii. Engagement with NGO and the list of *asnaf* received from a branch or regional offices.  
   iii. Work of collecting the *asnaf"s* data. |

Thus, the respondent also provides solutions to the respective issues that arise. First, regarding the event of the particular account for keeping the zakat refund fund generate income and profit. If the account generates profit or income, Social Finance Department will report the issue to the internal Zakat Committee for notification and further direction. Then, Zakat Committee will come up with a solution to mitigate the problem that arises. Based on a previous study by Sawmar & Mohammed (2021), the practice of disclosure and transparency in zakat management is essential to implement, such as publishing annual reports and conducting financial audits, and providing detailed information regarding the collection and distribution of zakat. This can increase the confidence of zakat payers in zakat institutions (Sawmar & Mohammed, 2021). The previous study also suggested that zakat institutions should have a proper documentation system that provides channels to record zakat management so that all stakeholders can know all relevant information about their zakat contributions (Taha et al., 2017).
Second, the solution for the issue of how to ensure the distribution of zakat refund is within the stipulated haul is the supervision by the internal Zakat Committee to oversee the distribution that the Social Finance Department has done. Social Finance Department is responsible for reporting to the Zakat Committee regarding the zakat refund distribution every month by organizing a meeting. Zakat Committee will provide a solution to the arising matter by suggesting a new project or initiative utilize the zakat refund money within the stipulated haul. Social Finance Department also established a tracking mechanism to track the zakat refund distribution by adhering to the timeline, “Updates on Zakat Refund and Maslahah ‘Ammah Fund Status”. In the timeline, the Social Finance Department lists the contribution and the balance of the zakat refund for each State Islamic Religious Council. The department also has done a reminder in the event that the distribution is almost reached the haul based on the wakalah letter given by each state. In the reminder, the remaining haul will also be updated every month so that Social Finance Department focused to distribute the zakat refund money on the State Islamic Religious Council that has almost reached the haul. Based on Osmera (2020), the suggested criteria that can be placed is that every organization/company that wants to be a representative should have a plan regarding the distribution that will be implemented. The planning is essential so that all companies have a distribution target that will be implemented (Osmera, 2020). In addition, based on the previous research from Shaiffe & Hassan (2019), the wakalah zakat (WAZA) distribution report should be reported as a condition for approval for the application to apply for WAZA in the following year. It ensures that WAZA applicants are trustworthy and transparent in the WAZA distribution process (Shaiffe & Hassan, 2019).

Third, the solution for the third issue that is to identify the rightful beneficiaries is by crosschecking the data of beneficiaries from Bank Muamalat Malaysia Berhad with the Islamic Religious Council according to the states. Besides, asnaf is identified through the engagement with NGO and the list of asnaf received from a branch or regional offices. However, the issue of inadequate data records in zakat institutions where the institutions cannot properly track zakat beneficiaries as the list of beneficiaries is not updated regularly because some of the recipients are already deceased or have relocated. This can lead to challenges in the recipient screening process and why some ineligible beneficiaries get monthly zakat money as there are no one optimum criteria for determining whether beneficiaries provide accurate information (Osmera et al., 2021). Thus, Bank Muamalat Malaysia Berhad not only depends on the data from the State Islamic Religious Council, but Bank Muamalat Malaysia Berhad also focuses on the work of collecting the asnaf’s data from various legit sources. Collecting data to identify asnaf is very important to avoid the excess of unutilized zakat refund money. The efficient management of zakat distribution to the asnaf eligible to receive zakat is vital in facing the current challenging era. This is because zakat as a taxation instrument in Islam is a unique system of wealth distribution where only the rich and capable are required to issue a zakat, which is then distributed directly to eight groups of asnaf such as Fakir, Miskin, Mualaf, Amil, al-Riqab, Ibnu Sabil, Fisabilillah and Gharimin (Omar, 2019). The previous study also provides recommendations to improve the Wakalah Zakat Program and management to PPZ and MAIWP’s management, such as diversifying resources for digital transformation and staying current with technology by creating an online platform leveraging blockchain technology (Paizin & Abd Aziz, 2021).
Conclusion
In conclusion, the zakat refund introduced by MAIWP through the *wakalah* system to individuals, companies, employers, and higher education institutions is very helpful in implementing more efficient zakat distribution. It can also increase zakat collection from zakat payers due to the transparency of zakat institutions, including legitimate zakat distributors or representatives such as Bank Muamalat Malaysia Berhad (BMMB).

However, there are still some issues in managing the implementation of *wakalah* zakat refund distribution by the financial institutions focused on this study, BMMB. It includes providing accounts that do not generate income and profit, ensuring that the distribution of zakat refund can be completed within the stipulated haul, and identifying the rightful beneficiaries. However, the BMMB managed to overcome the issues with appropriate methods and solutions to perform its duties as a representative on behalf of the zakat institution.

More research can be done in the future concerning zakat refunds, such as research concerning issues that occur in association with zakat refunds in other financial institutions, research concerning the auditing process of zakat refunds, and research concerning the efficiency of zakat refunds.

Therefore, this study is significant to be a benchmark for Islamic banking institutions as *wakil* of zakat refunds in solving the issues that arise related to zakat refund so that the implementation of zakat refund in banking institutions becomes more efficient.

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