

The Importance of Accountability in Zakat Institutions

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Abstract

Zakat institutions are seen to be growing in terms of collection and distribution as well as various programs to increase the capacity of asnaf in line with the country's progress especially in Malaysia. However, there is no denying that there are various negative perceptions of the community towards the zakat institution, including the achievement of unbalanced collection, unequal distribution, community trust and various other unpleasant perceptions from stakeholders. Thus, in line with the community's perception of zakat institutions, the objective of this study is to see the importance of accountability management in the governance of zakat institutions. This study is qualitative in nature using documentation and observation methods. It is hoped that the study can provide input to stakeholders and indirectly increase trust and satisfaction with zakat institutions in Malaysia. This study can also be a reference to zakat institutions and further to the academy and researchers in the future in improving the accountability of Malaysian zakat institutions.

Keywords: accountability, Zakat Institutions, financial information, disclosure, performance, Malaysia

1. Introduction

United Nations Economic and Social Commission for Asia and the Pacific, accountability is one of the key conditions in good governance (UNESCAP, 2008). According to Gray and Jenkins (1993) it is the duty of the individual or organization entrusted with the responsibility and in turn explain their actions to the individual or organization that gave the responsibility.

From a fiscal perspective, accountability is seen as an important element for social well-being in a country and is considered an important pillar of stakeholder's view. Among the most important factors influencing tax compliance are government accountability, transparency and the reduction of corrupt activities in the governance of a country (Adeyeye & Otusanya, 2015; Cartens, 2005). Moreover, accountability is also a concept related to external standards in which it determines the veracity of bureaucratic actions (Widodo, 2001). External controls become a source of accountability that will motivate officers to work hard. Here, the community is considered the objective of the evaluator who will determine whether there is bureaucratic accountability or not. In addition to bureaucracy, it is also assessed in the context of the extent of the government's responsibility in providing appropriate services to the community. Next, the community will evaluate and make decisions covering the transparency of services, principles of justice, guarantees of law enforcement, human rights and the development of such services to consumers (Bird, Martinez-Vazquez, & Torgler, 2008; Feld & Frey, 2007; Luttmer & Singhal, 2014). It must be remembered that the services provided must be appropriate and meet the needs and requirements of the community to symbolize accountability in this institution.

From an Islamic perspective, accountability is comprehensive (Roszaini & Mohammad Abdullah, 2011) because it involves various stakeholder participation, namely accountability to Allah SWT, as well as society (Abdullah et al., 2018; Shahul Hameed, 2000).

Its importance cannot be denied either at the government or private level as it symbolizes transparency and trust of the community, especially from the financial aspect. This situation is in line with Islamic principles in emphasizing practices and deeds that have no doubt as the words of Allah SWT which means:

“God owns what is in the heavens and what is on the earth. If you reveal what is in your hearts or conceal it, Allah will reckon it for you. He forgives whom He wills and punishes whom He wills. God is Almighty over all things”. (al-Baqarah: 284)

In the context of zakat institutions, accountability means the responsibility of the institution in performing the tasks entrusted to it. As a large trustee institution, the concept of accountability is viewed and evaluated especially from the aspect of zakat distribution so that the distribution reaches the eight categories of asnaf set as the words of Allah SWT which means:

“Indeed, the zakat is only for the poor, the needy, amil zakat, whose heart is softened (converts), to free my slaves, to free those who are in debt, for the way of God and for people who are on the way, as an obligation to God. Allah is All-Knowing, All-Wise”. (al-Taubah: 60)

Zakat institutions are non-profit organizations established to manage the collection and distribution of zakat funds (Noor Fadzilah, Ruhanita, & Norida, 2016). Apart from being observed by stakeholders, it is also a major contributor in improving the socio-economic status of the country as well as eliminating the poverty gap, especially among the Muslim community (Patmawati, 2008). However, as an institution that manages public funds, the zakat institution is not free from the negative views of society. Among them, low confidence and negative perceptions on the efficiency of zakat institutions are often disputed, causing many payers to refuse to pay zakat or continue to pay to asnaf without going through the zakat institution as an intermediary (Azman, Mohammad, & Syed Mohd Najib, 2012; Hairunnizam, Sanep, & Radiah, 2009; Md Hairi, Kamil, & Ram Al Jaffri, 2012; Patmawati, 2008).

The study also found that zakat is not distributed effectively by zakat institutions (Ram Al Jaffri, 2018) and this leads to a loss of trust in the institution of zakat (Abdul Halim, Muhammad Firdaus, Noorzakry, Azhana, & Zunaidah, 2019; Ahmad Aizuddin & Krishnan, 2016; Azman, 2012; Krishnan & Ahmad Aizuddin, 2017; Norazlina & Abdul Rahim, 2012; Norazlina & Abdul Rahim, 2015). Past studies have also discussed many aspects of the effectiveness and efficiency of zakat institutions (Ahmad Aizuddin & Krishnan, 2016; Eza Ellany, Mohd Rizal, & Mohamat Sabri, 2014; Hairunnizam, Sanep, Mohd Ali, & Rashid, 2017; Md Hairi, 2017; Md Hairi et al., 2012; Pg Mohd Faezul Fikri, Hairunnizam, & Mohd Ali, 2017) as well as related to Maqasid Syariah (Ahmad Shukri & Rosli, 2021; Ataina & Achmad, 2019; Azman, 2019; Can, 2020).

Recently, performance related issues have always been discussed by researchers because they show a very significant need for Muslims (Noor Fadzilah et al., 2016; Nur Mohamad, 2017) and also some items are emphasized in ensuring accountability (Hairunnizam, Mohd Fairuz, et al., 2018; Mohd Fadhli & Hairunnizam, 2018; Mohd Fairuz et al., 2016; Norfaiezah et al., 2020a). Even so, research on accountability is still poorly conducted and very limited to counteract the negative perception of society towards zakat institutions.

Thus, this paper attempts to explore and analyze the latest issues and findings from past researchers related to the importance of accountability in zakat institutions. It is intended to be a reference and further study by future researchers related to zakat.

2. Literature Review

The zakat institution is an organization that manages large funds, but it is not profit-based. In order to disclose institutions that symbolize high transparency and trust among stakeholders, various forms of information disclosure need to be reported to assess accountability.

Studies on the trust and effectiveness of zakat institutions are not a new issue in Malaysia and several related studies have been conducted. Hafizah (2017), the three determining factors of trust in the zakat institution among stakeholders are distribution satisfaction, attitude and reputation. While Ram Al Jaffri (2018), in order to increase the reliability of the collection performance and the efficiency of the distribution of detailed analysis of financial data that has been reported and audited needs to be clearly explained so that the accountability of zakat

institutions can be understood by the community.

Further research related to the disclosure of financial information to assess accountability in zakat institutions has been extensively studied by previous researchers (Mohd Fadhli & Hairunnizam, 2018; Mohd Fairuz et al., 2016; Noor Fadzilah et al., 2016; Roshaliza, Nurul Nurhidayat, Muhammad Faris, & Muhsin, 2016; Saunah, Ruhaya, & Wah, 2014). According to Mohd Fadhli and Hairunnizam (2018), there are discrepancies in the reporting in the financial statements of zakat information in the State Islamic Religious Council (MAIN).

Similarly, there are some suggestions by other studies on the need for financial information reporting disclosure, among others (Hairunnizam, Mohd Fairuz, et al., 2018; Hairunnizam, Mohd Fairuz, et al., 2018; Mohd Fairuz et al., 2016; Mohd Suffian, Mohd Ali, & Hairunnizam, 2018). This disclosure is important to disclose the accountability of the zakat institution as a large trustee and fund manager. Disclosure of complete information through financial statements will indirectly give confidence and trust to stakeholders to know the activities and performance of zakat institutions (Norli, Jamaliah, Normah, & Rashidah, 2012; Saunah et al., 2014).

In addition, although these financial statements have been prepared by the zakat institution, there are still doubts by the zakat payer against it because the financial information reported is incomplete and not updated (Raedah, Sherliza, & Siti Normala, 2017). In addition, the overall information reported by non-profit organizations is relatively poor where the disclosure of non-financial information is high compared to financial information (Nurfarahin, Roshayani, & Nur Farahah, 2016).

Norfaiezah et al. (2020a) relevant and reliable financial reporting is one of the communication media to convey information to stakeholders in decision making and show transparency, efficiency and accountability in zakat institutions.

Furthermore, to illustrate accountability in zakat institutions, the disclosure of information reporting in line with Maqasid Syariah can also be used in safeguarding the interests of religion and humanity as a whole. Such disclosures can be categorized according to the level of *daruriyyat*, *hajiyyat* and *tahsiniyyat* (Mohd Fairuz et al., 2016).

According to Noor Fadzilah et al. (2016) the importance of performance reporting needs to be presented to stakeholders in proving the accountability of zakat institutions both in terms of collection and distribution. Performance reporting is used to channel performance information where there are three parameters, namely targets set by management or stakeholders, past performance using up or down trend analysis and industry benchmarks. This view is supported by (Grosso & Ryzin, 2011) namely, annual reports are the main medium for explaining the accountability of public sector organizations to stakeholders.

Administrative efficiency also plays an important role. According to Nur Mohamad (2017) to improve the performance of zakat management, an organized, professional, transparent and regular administration needs to be implemented. With this, the smoothness of matters related to collection and distribution can happen more efficiently.

In addition, every financial reporting and information needs to be disseminated comprehensively, not just involving internal organizations. This coincides with a study by Roshaliza et al. (2016), annual reports including financial statements are only distributed among the management of zakat institutions only and are not distributed to the public, unless there is a request.

The findings of this study prove that the importance of the element of accountability is displayed in zakat institutions, but the study is quite limited and is still at the evaluation and recommendation stage, especially in Malaysia. Therefore, this study should be conducted to provide clarification on transparency, trust and confidence from stakeholders in the future.

3. Method

This study uses a qualitative approach with documentation and survey methods to obtain information related to the topic of discussion. It involves theory and conceptual discussion using the literature review method where the main source of reference is taken from scientific articles, journals, book reports, and information on websites related to zakat and accountability. Next, the information obtained is analyzed conceptually by using inductive methods to meet the objectives of the study. Inductive methods are used to conclude from evidence of a specific nature to find conclusions of a general nature. In contrast, the deductive method is used to conclude from evidence of a general nature to find conclusions of a specific nature (Ghazali & Sufean, 2015).

4. Results and Discussion

As a result of observations and surveys by researchers, there is some information that can be used as a reference and guide whether they are directly involved or not in the management of zakat institutions. Briefly, the researcher has concluded some important points related to accountability in zakat institutions as shown in Table 1.

Table 1. Accountability in Zakat Institutions

No	Researcher	Findings
1.	Mohd Fadhli & Hairunnizam, 2018	There is inconsistency in the disclosure of information in terms of zakat management structure, collection and distribution statements as well as asset disclosure in financial statements between zakat institutions. The reviewer focuses on the aspects of financial statements, but does not involve other aspects such as organization and governance.
2.	Noor Fadzilah et al., 2016	Only from the financial aspect, namely, the detailed income and expenditure statement should be disclosed in the performance reporting for the knowledge of stakeholders without emphasizing the non-financial aspect. With this, prove the accountability and efficiency of the zakat institution.
3.	Md Hairi et al., 2012	Emphasis on quality service to increase confidence and trust in stakeholders.
4.	Saunah et al., 2014	Disclosure of financial statements as an important instrument in implementing accountability.
5.	Mohd Fairuz et al., 2016	Reporting of financial information must be based on the purpose of Shariah to disclose accountability.
6.	Norfaiezah et al. (2020)	Emphasizes accountability from the aspect of financial information disclosure, but does not involve other aspects.
7.	Mohd Fairuz et al., 2016	Waqf, zakat and baitulmal institutions need to coordinate disclosure by applying the Maqasid Syariah in every report.
8.	Raedah et al., 2017	Collection and distribution of zakat should be reported in detail in the annual report. In addition, not only financial information, but also non-financial information is also proposed for disclosure to address the issue of accountability in zakat institutions.
9.	Sheila Nu Nu & Syed Ahmed, 2014	The study emphasizes overall accountability involving financial, non-financial as well as superiors as trustees.
10.	Suhaiza & Nur Barizah (2011)	Looking from the aspect of quantity and quality of services and programs offered to the community. Whereas, good and quality services are not the main factors that will be evaluated, in fact, the accountability of superiors also plays an important role in the implementation and administration of an institution.
11.	Mohd Suffian et al., 2018	Propose the codification of the National Zakat Act to increase the level of compliance of the Muslim community on the payment of zakat and indirectly give confidence to stakeholders in the zakat institution as an organization with accountability. Whereas if not accompanied by an ethics of accountability and transparency in the organization, non-compliance will still occur despite tightened law enforcement.
12.	Hairunnizam, Mohd Fairuz, et al., 2018	The Shariah framework is proposed from the aspect of collection and distribution, including defining the definition of the concepts found in the management of zakat so as not to cause confusion and ambiguity among stakeholders without looking at other things that can reduce accountability on the part of zakat institutions. Accountability is seen in the context of effectiveness of corporate governance policies, not just financial information.
13.	Noraini & Nor Suhaily, 2021	Emphasizing the most important measure of accountability is the financial statements followed by other factors such as performance, governance, public information, compliance and engagement.
14.	Rini, Purwanti, & Farah, 2021	

Source: Findings of the study by the author.

Referring to Table 1, the researcher found that previous and recent studies discuss a lot about the importance of accountability whether financial or non-financial. Each item or item recommended refers to the financial statements and focuses on the principles of Maqasid Syariah. Nevertheless, in the era of scientific and technological progress, the findings of the

stated study need to be seen from various aspects. This is because we are aware that zakat institutions are large holders of public funds and have always been the focus of attention and focus by the public in particular. Therefore, the details need to be more emphasized so that every information or report involving financial aspects is displayed and disclosed clearly. This matter needs to be emphasized as it symbolizes the accountability of the institution in carrying out the trust. Thus, by creating accountability, it will indirectly increase the confidence and high trust of stakeholders towards the zakat institution.

5. Conclusion

Various efforts have been made in highlighting the efficiency and effectiveness in the administration of zakat. In addition to trying to give confidence and trust to stakeholders, zakat institutions are always ahead and positive minded in various aspects, and even managed to provide the best services in terms of collection and distribution in demonstrating its accountability for the effectiveness and efficiency of zakat institutions as an organization involving large financial management. Apart from being a transparent and highly accountable trustee, it is not only to the whole society, but most importantly accountability to Allah SWT. In line with increasing trust and confidence from stakeholders, then this study should be continued by further researchers to see the importance of accountability in an institution, especially zakat institutions in the future.

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