Factors Influencing Proper Zakah Payment in Dighalia Upazila of Khulna District, Bangladesh

Md. Saddam Hossain, Khan Mehedi Hasan, and Sarif Mohammad Khan

Abstract—The research identifies factors influencing proper zakah paying behavior in Dighalia upazila of Khulna district of Bangladesh. Summary statistics shows that most zakah amounts was paid in cash and in the month of Ramadan. None paid zakah through any institution rather paid personally to both relatives and non-relatives. A logistic regression is used to identify factors affecting proper zakah payment. Result shows that performers of hajj and chilla had 80 percent and 73 percent more likelihood respectively to pay zakah properly than who had not performed those. Regular readers of religious book had 54 percent higher probability to be exact zakah payers than other category. The study suggests taking step to increase awareness of zakah payers in order to reduce poverty and inequality. As many zakah payers are unorganized and pay in piecemeal meal to many people and in uncoordinated way, collective and coordinated approach zakah management can bring greater effect.

Index Terms— Accurate zakah payer, Chilla, Nisab, Poverty, Zakah.

I. INTRODUCTION

A. Background of the Study

Zakah is the mandatory charity for Muslims, owning certain amount assets and payable each year. Thus it is an obligation to the rich Muslim, possessing *nisab* (the minimum amount of asset that a Muslim must have in order to pay *zakah*) amount of wealth, to donate 2.5 percent of those assets to the poor, as a religious obligation. *Zakah* is one of the five pillars of Islam, which helps redistribution of wealth and thus reduces economic inequality. Allah commanded in the Qur'an: "... so establish *salah* and give *zakah*, and hold fast to Allah ..." (Al-Qur'an 22:78). If someone is given wealth and does not pay *zakah*, "the wealth will appear to him on the Day of Judgment in the form of a bald serpent with two horns, encircling him and squeezing him all day, then holding him by the lips and telling him I am your wealth, the treasure which you hoarded" [20]. The Holy Qur'an says to take out one's wealth a *Sadaqah* (charity or donation without seeking any return from the receiver which intends to please Allah) which cleanse and purify asset. It purifies one's inner qualities and the rest of the wealth. The holy prophet [SAW: Muslims should say Sallallahu Alayhiwa Salam (SAW), which means peace be upon Him after name of

Prophet Muhammad] said "Allah had made it a source of purification for your wealth" [23]. *Zakah* is one of the most potent institutions of wealth sharing that promotes economic activities and assures a minimum standard of living for the Muslims. The term *zakah* has been mentioned 58 times in the Al- Qur'an, 32 times in isolation and 26 times together with *salah* (as per religious command, Muslims should pray five times daily at specific times). According to Islam, *zakah* payment helps payers to the development of the world and the hereafter [4]. Proper and transparent distribution of *zakah* will give a direct impact on equitable distribution of wealth to the society. This reflects duly on the meaning of *zakah* which is to increase, to grow, to purify and to offer peace [21].

Islamic scholars emphasize that the main recipients of *zakah* is the poor and the needy. Moreover, the *zakah* fund could free the recipients from poverty and improve their living standard. During his reign, Caliph Umar al-Khattab introduced a *zakah* distribution concept that uplifted the socio-economic status of the recipients leading in poverty. Umar's aim was to change the life style of the poor that so that they convert from the recipient of *zakah* to the giver of *zakah*. It is a tool of Islamic economic system, which helps in building the civilization and future of the society [7]. *Zakah* helps to decrease inequality in the society. The population size of Bangladesh is about 160 million where about 88 percent are Muslim. About 24.3 percent people of Bangladesh live below the national poverty line [2]. Though absolute poverty rate is decreasing in the country but still a vast group of people is absorbed in poverty. Inequality is also high in the country. Unemployment problem is also a major problem in the country. Thus, *zakah* has massive economic implication in the economy. Firstly, it encourages investment as *zakah* is imposed on idle savings. When money is invested in the economy, it creates employment opportunity. Thus, unemployment and poverty rate are expected to decrease upon increased *zakah* payment. Secondly, certain portion of (idle) savings goes to the poor people through *zakah*. Thus, *zakah* helps to reduce pain of the poor people in many respects. Many eligible Muslim including people of Bangladesh do not pay *zakah* in proper manner. Even when *zakah* is paid in full, is not paid in proper way. Therefore, some *zakah* payment doesn't not bring desired outcome of poverty reduction in the country. Off course many people follow proper instruction of *zakah* distribution. Like income tax, there is no institutional authority to calculate and supervise *zakah* payment of the rich people. So the culture of *zakah* payment is somehow optional and voluntary basis. Experience goes that people of Bangladesh follow different approaches in paying *zakah*.

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Hossain, M. S. , Khulna University, Bangladesh.
(e-mail: saddamecon11@gmail.com).

Hasan, K. M. , Khulna University, Bangladesh.
(corresponding e-mail: khansssku@gmail.com).

Khan, S.M. , Khulna University, Bangladesh.
(e-mail: sarif_ku@yahoo.com).

Many people calculate and or pay *zakah* from his own judgment with unclear idea about its calculation and payment norms, where proper *zakah* payment can reduce inequality in the Bangladesh context. Thus, there is an essence to explore *zakah* distribution pattern and to identify factors, which are liable for proper *zakah* donation.

B. Objectives of the Study

The research intends to explore *zakah* distribution pattern and aims to estimate factors influence individuals to donate *zakah* in properly.

II. LITERATURE REVIEW

A. Bases of Zakah

Allah commands Muslims to pay a certain percentage of their net worth above *nisab* as well as a certain percentage of the net output of agricultural and mineral production. *Zakah*-able amount is set after ensuring an acceptable standard of living, which covers all necessities of life compatible to a particular community at a particular economic period. As a rule, it includes food, household effects, clothing, a house for personal use, education, medical care, means of transportation, and include tradesman's tools and equipment. In this issue [22] emphasized on *riba* (interest) free accounting system in asset calculation.

Table I. *Nisab* and rates of *zakah* for some contemporary items

Particulars	Rate	Nisab
Cash	2.5 percent	Equivalent of 85 Grams of Gold
Bank deposits	2.5 percent	Same as for cash
Stocks in trade	10 percent	Same as for cash
Agricultural produce	5 percent, when investment is incurred in irrigation and in inputs, otherwise 10 percent	653 KG
	10 percent, when there is cost of inputs	
Real estate	2.5 percent of income from the source	Same as for cash
Professionals	2.5 percent of income but after deducting cost	Same as for cash
Shares/stocks	10 percent when dealing with trading of shares	Same as for cash
	2.5 percent if income accrues from investment purpose	Same as for cash

Source: [9]

B. Types and Recipients Zakah

There are two kinds of *zakah* in Islam such as: *zakah al-fitr* and *zakah al-mal* [24]. A flat fee imposed on each person, called *zakah al-fitr*. *Zakah al-fitr* refers to the obligation of every Muslim (except those who are absolutely destitute) to contribute a certain amount of staple food or pay an equivalent monetary amount in the month of

Ramadan (the 9th month in the Arabic calendar when Muslims maintain fasting and get higher reward for donating in this month) usually paid directly to beneficiaries without interference from the state or any other third party. A tax on wealth, called *zakah al-mal*. Unlike *zakah al-fitr*, *zakah al-mal* is levied only on Muslims whose wealth exceeds a threshold called *nisab*. *Zakah* is a kind of social safety net and is the helper of last alternative to the needy of the following eight categories.

Table II. List of eligible *zakah* receivers

Sl. No.	Category	Description
1.	The poor	People who does not have any means to support their livelihood.
2.	The needy	People who have income or earnings but it is insufficient to manage basic needs.
3.	<i>Zakah</i> collectors	When <i>zakah</i> is collected in organizational manner, salaries of <i>zakah</i> workers can be given from collected <i>zakah</i> fund.
4.	Converts	<i>Zakah</i> can be given to the people who have embraced Islam to settle them in a normal life.
5.	People who are not free	<i>Zakah</i> can be given to free slaves from their owners.
6.	Debtors	Can be paid to the unable debtors who incurred debt due to pressing legal needs.
7.	Wayfarers	<i>Zakah</i> can be given to fighters who fight for the cause and path of Allah.
8.	Travellers	Rendered helpless is eligible to get <i>zakah</i> .

Source: [17]

C. Factors Influencing Zakah Payment

Worship factor as one of the main motivations that contributes to the compliance of *Sadaqah* (donation), *zakah* and other prosaically behavior [19]. Paying *zakah* is thus an indicator of high level of *iman* (faith) because payment of *zakah* highly dependent on one's belief towards religious affairs. One's religious belief has the impact on one's giving. Hence [13] noted that the relationship between religious giving and involvement in religious activities giving is unambiguously positive and found that those who attend church regularly donate more. Therefore, people's understanding level in Islamic principles also motivates people to pay *zakah*. Non-compliance to pay *zakah* occurs due to the difference in level of *iman* in religious affairs [1]. *Zakah* payers also get some tangible benefits, rewards or self-satisfaction. Organization factor plays an important role in motivating Muslim in paying *zakah* [26]. *Zakah* collection in Malaysia once was governed by the religious state affairs department. Some states like Selangor, Kuala Lumpur, Melaka and Pahang outsourced *zakah* collection to reduce the bureaucratic problems. Centers for *zakah* collection managed *zakah* collection and there observed an increase in collection, i.e, in Selangor posted an increase of 19 percent than pre PPZ period [27]. Other organizational factors such as visible *zakah* service quality, *zakah* promotional campaign, and salary deduction mechanism

were found significant to influence Muslims regarding payment of *zakah* [6]. In this connection, [18] emphasized on forecasting *zakah* trend for distributive justice. Performing some religious practice like *salah* and *hajj* (religious pilgrim in Mecca, Saudi Arabia, occurred in the last month of Arabic calendar. Every Muslim is expected to perform *hajj* at least once in lifetime if he/she able to do so. It costs handsome amount of money) also bind Muslims to maintain other religious norms like paying *zakah*.

D. Implication of Zakah

According to the lexicon, *zakah* means a thing, which increases gradually. Lisanul Arab, a major book on the meanings of Arabic words, explains it as "cleanliness, gradual increase, excess, praise". In the technical *shariah* (Islamic religious law that governs religious rituals and aspects of day-to-day life) meaning, *zakah* means that part of wealth whose payment has been made obligatory by Allah. The literal meaning of the word *zakah* is 'purity' and growth. The Prophet (SAW) has said: "Allah has made *zakah* obligatory simply to purify your remaining property." *Zakah* is not a tax levied by a government, nor is it a voluntary contribution. According to *shariah*, if the wealth of a Muslim is sufficient to meet the necessary expenses of him and his family in a year and the wealth remains in his possession for the year, he is to donate certain amount from the accreted surplus to purposes sanctioned by the *shariah*. Islam announces punishment for the non-payer of *zakah* (poor-due) in this world and the hereafter. As regards retribution of the Hereafter, Allah has warned those who avoid paying the poor-due, in the following words: In the Holy Qur'an Allah says, ".....And there are those who hoard gold and silver and spend it not in the way of God; announce unto them a grievous penalty. On the day, when heat will be produced out of that (wealth) in the fire of Hell, and with it will be branded their foreheads, their flanks and their backs [and it will be said to them], "This is what you hoarded for yourselves; taste ye, then, what you hoarded" (9:34-35). In the Holy Qur'an Allah says, "Believe in Allah and His messenger, and spend of that whereof He hath made you trustees; and such of you as believe and spend (aright), theirs will be a great reward" (57:7). In the Holy Qur'an Allah expresses, "And render to the kindred their due rights, as (also) to those in want and to the wayfarer; but squander not (your wealth) in the manner of a spendthrift" (17: 26).

The study of the Holy Qur'an and traditions of the Prophet Mohammad (SAW) reveals three major objectives of the *zakah*. Firstly, it is the right of Allah. Remember what the Holy Book says "To Him belongs whatever is in the Heaven and whatever is on the earth". It implies that whatever man possesses, it as trustee and not as owner. Therefore, *zakah* payment is share of the owner and not a charity or donation by the payer. Secondly, when owner's share is paid through *zakah*, trustee's share becomes pure for use. Third aim of *zakah* is to eradicate poverty altogether by spending for the welfare of the poor and the destitute which will reduce income inequality and ensure social security. With the help of a self-evident approach,

[10] found that *zakah* helps elimination of poverty. *Zakah* accelerates growth and systematically extends education, health and drinking water facilities to the poor [14].

III. RESEARCH METHODS

The research was conducted Dighalia upazila of Khulna district, Bangladesh from where four villages were selected. *Zakah* payer in 2015 was sampling unit where only one sample was taken from a household. A total number of 50 *zakah* payers, selected randomly were interviewed personally with structured questionnaire. Data was analyzed through STATA software.

Logistic Regression Analysis: This study used a logit model to estimate factors responsible to be an accurate *zakah* payer. The model is expressed as follow:

$$L_i = \ln \left(\frac{P_i}{1-P_i} \right) = \beta_0 + \beta_1 X_i + \beta_2 D_i + u$$

In the equation, dependent Variable: 1= Accurate *zakah* payer, 0= other category.

Definition of Accurate *Zakah* Payer: Proper *zakah* payment requires clear idea about assets on which *zakah* is applicable, calculation of amount and many other aspects. But it is tough to get access to *zakah* payer's financial document and other confidential information. Therefore to identify accurate *zakah* payer, we followed a simplified and customized screening that incorporates three conditions that a person must meet in order to be considered as accurate *zakah* payer. These were knowledge of *nisab* amount of asset, knowledge of *zakah* calculation, and payment of *zakah* in due amount, at least. Firstly, we checked whether respondent is aware about *nisab* (the minimum amount of year-long savings, i.e, gold or equivalence amount of money) to be treated as *zakah* payer. Secondly, we checked whether respondent know the percent of *nisab*, to be paid as *zakah*. It may be mentioned that it is 2.5 percent. Thirdly, we checked whether the respondent paid the amount of *zakah* in that year, based on the first two criteria. Those *zakah* payers didn't meet any of mentioned three criteria, we considered him/her as 'not-accurate *zakah* payer'.

IV. RESULTS AND DISCUSSIONS

The research focuses on modes of payment, *zakah* donating time, distribution channel, recipient, etc. as *zakah* distribution, and then estimates factors influencing proper *zakah* payment.

A. Modes of zakah payment

People pay *zakah* in different purpose like cash for treatment, cash managing livelihood. In addition, *zakah* payers themselves purchase cloth, food, and other items and then deliver those to the recipients. In this research, surveyed respondents paid *zakah* in multi-modes like cash, cloth, materials etc.

Result shows that *zakah* payers donate lion-share of payable amount in the form of cash. Out of total amount paid by all respondents in 2015, all together 67.84 percent *zakah* was paid in cash and the rest 32.16 percent was paid in other non-cash manner. Among total *zakah*, cloth, food and other component include 23 percent, 7.21 percent and 1.95 percent respectively.

Fig. I. Modes of *zakah* payment

Hence [11] found that *zakah* acts as a tool of modern public finance to shift resources in different form, from the rich to the poor. In this respect, [27] also found that that *zakah* helps in redistribution of wealth.

B. Time of *zakah* payment

The *zakah* year begins from the date when a person possesses the *nisab* amount of wealth. Thus, *zakah* year vary across payers but there is a custom of calculation and payment of *zakah* in the month of Ramadan.

Fig. II. Time of *zakah* payment

The research finding shows that 98 percent respondent paid *zakah* money only in the Ramadan month and only 2 percent paid in other months also. Some respondents reported that most of the *zakah* payers in the region calculates and pays in the Ramadan irrespective of *nisab* owning month. But if needed, they also pay partial amount in other months also. Muslims prefer to pay in Ramadan, as there is more reward for charity in the Ramadan, though there is no obligation in paying in the Ramadan only. Even *zakah* can be paid before completing *zakah* year.

C. *Zakah* distribution channel

Zakah payers normally pay *zakah* by themselves. There are some institutions (like Islami Bank Bangladesh Ltd. in Bangladesh) through which *zakah* can also be paid. But it is notable that none of the respondents paid *zakah* through any institution; rather they all paid through personal channel and reached support directly to the recipient. Respondents said that needy people live around them in the rural local area and it becomes convenient for them to pay directly to the recipient, rather paying through an institution. It also creates

satisfaction to pay directly and to the known people. Many of them have idea of institutional distribution of *zakah* but some *zakah* payers reported that no institution has ever approached to them to collect *zakah*. It is also to be mentioned that 37 out of 50 respondents paid *zakah* by own, where the rest discharge the responsibility of paying *zakah* to other family members who also distributed among recipients directly. So, all payable amounts were distributed via personal source and no amount was paid through any institutional channel.

D. Recipients of *zakah*

Since all the respondents pay *zakah* through personal channel, they can trace the recipient. The entire recipients are known who are normally relatives and neighbors. The study result shows that *zakah* payers concentrated on both relatives and non-relatives. Neither of them were bias to only relatives. We see 74 percent respondents distributed *zakah* among both relatives and non-relatives where 26 percent paid *zakah* only to the non-relatives. In some cases, *zakah* payers' relatives are also well off and therefore not eligible in receiving *zakah*. For greater benefit from *zakah*, [16] suggested not to be biased in beneficiary selection.

Table III. Category of *zakah* recipients

Category of <i>Zakah</i> Recipient	Number	Percentage
Only non-relative	13	26
Both relative and non-relative	37	74
Total	50	100

Source: field survey

The research also reports that 52 percent respondents normally pay some portion of *zakah* to the fixed number of recipients every year, though they also have contingency. In fact, if the recipients remain poor over the year, they remain eligible to get *zakah* and they can be provided *zakah* until they reach to the position of paying *zakah*. Many respondents told that many pay *zakah* to good number of people and thus recipient get small amount. There is no coordination among *zakah* payers to decide recipient and time of payment, as everyone pays personally. But some people consider increasing number of recipients, as social prestige and thus paying tiny amount to the recipient. Nevertheless, this is not the suggested motive of *zakah*. In Islam, *zakah* should target creating income and employment for the recipients and thus they may get rid of poverty. Off course, *zakah* can be used in the humanitarian grounds in many other stated purposes.

E. Factors Influencing Accurate *Zakah* Payment Behavior

This section identifies factors which affect to pay *zakah* accurately. Based on the stated criteria of identifying accurate *zakah* payers, we find that 54 percent respondents pay *zakah* accurately, where 46 percent didn't pay accurately in the study area. The regression model considers different dimensions *zakah* payers like personal characteristics, religious practice, religious belief, self-satisfaction etc. as shown in the table IV. In the regression gender, *hajj*, *chilla* (Some Muslims leave home for 40 days

in order to preach and practice religion. They live in different places, especially in the mosque. A continuous 40 days slot bears special significance. In Sufism, *chilla* denotes 40 days of meditation) and reading Islamic books are found statistically significant.

Table IV: Estimated result of logistic regression

Variables	Marginal Effect	Standard Error
Gender (dummy)	-0.43945***	0.16402
Age	-0.02238	0.02141
Education	-0.01413	0.03978
Income	1.37E-05	0.00003
Hajj (dummy)	0.795242***	0.13632
Chilla (dummy)	0.73059***	0.20914
Pay every year	-0.05574	0.29848
Reading Islamic books	0.539203*	0.30873
Influenced by FNF	-0.0367	0.5977
Altruism	-0.4634	0.30297
Reward	-0.3077 9	0.3164
Self-satisfaction	0.285131	0.30241

Source: field survey; N.B: *** p<0.1, * p<0.10

Result shows that male (coded 1) *zakah* payers have 44 percent less probability to be true *zakah* payer than female, which is statistically significant at 1 percent level. Perhaps women are more pious and practice religion more than male. Those who have performed *hajj*, have 80 percent more likelihood to be an accurate *zakah* payer than who has not performed *hajj*, which is statistically significant at 1 percent level. Most probably it can be said that the *hajj* performers' obey the rules and regulation of Islam more keenly and thus get influenced to donate *zakah* accurately. Their religious association is also wider and can get more knowledge and thus intend to pay *zakah* amount as desired level. They might perceive that *zakah* is not charity rather it is obligatory for *nisab* holders.

Those who have performed *chilla* ever in life, have 73 percent more probability to be true *zakah* payer than who haven't performed *chilla* which is significant at 1 percent level. *Chilla* is a 40 days religious and spiritual practice where participants completely get separated from home and generally stay at different mosque with other religious people. They spend all the time in religious discussion where they can learn different messages and motto of Islam, led by some pious and expert leader. Thus, they visualize the core message of Islam and try to enact so in practical life. Thus, performing *chilla* increases knowledge on Islam and probability of following religious command. Reading Islamic book also increases probability to pay *zakah* properly. Result shows that those who read Islamic books frequently have 54 percent higher probability to be true *zakah* payer than who doesn't read Islamic books regularly. The finding is statistically significant at 10 percent t level. Hadith, Qur'an and other book focuses on ways and essence of following religious command. Normally readers of those books get advanced in performing religious commands, as they perceive significance of performing religion. They also recognize and loss and punishments for non-compliances.

V. POLICY IMPLICATIONS AND CONCLUSION

A. Spread of Zakah Knowledge

Many people are not aware about detailed guides related to *zakah* for which many pay less amount of *zakah* than desired amount. There exists deviation of from Islam in case of *zakah* distribution too. Amount of *zakah* collection is relatively small in compared to income tax collection in many Muslim countries [15]. Lack of consciousness could be one reason which needs to be tackled to reduce income and social inequality. So, there is essence of increasing knowledge of *zakah* focusing *nisab*, mode, way, calculation, and its benefit. Text book, special bulletin, and media can highlight on the issue to create awareness. Imam of the mosque can be trained to deliver the core essence of *zakah* by focusing on the real implication of it in this earth and hereafter. Efforts need to be taken to to spread knowledge so that eligible Muslim rich don't consider *zakah* as optional or burdensome and it is neither imposed on poor and insolvent. Only solvents and rich are supposed to pay where motivation is important. Only *iman* and belief are not enough to dictate people to pay *zakah* rather some practical training and religious attachment can also motive people to pay *zakah* as guided in Islam. Some people pay proper amount but pay to many recipients in piecemeal which also doesn't attain the objective of self-sufficiency. According to [3] about 31.5 percent people of Bangladesh live below national poverty line. In the country number of millionaires is also increasing. Wealth of the people of Bangladesh has been trebled in 15 years [5]. Per capita income is increasing. So, people are getting rich and proper transfer of *zakah* from the Muslim rich to the poor can reduce the poverty rate to a greater extent.

B. Proper Zakah Management

In most cases people of Bangladesh pay *zakah* individually without any collective effort by any organization of state's involvement. Survey experience goes that people pay in a segregated manner. There are many instances that people pay in piecemeal like a single piece of cheap cloth to many people which don't create income increasing capacity of the recipients. Money can be collected and distributed in a way that creates income and employment. Hence [25] reported that BDT 25,000 crore (BDT is official currency of Bangladesh. 1 BDT= 0.012045 US\$, approximately.) can be collected from Bangladesh each year and an extremely poor can get about BDT 2 million, if collected and distributed properly. Some people don't pay *zakah* in full amount. To some extent, there is state involvement in different aspects of *zakah* in Malaysia, Pakistan, Saudia Arabia, Sudan, Yemen etc. *Zakah* collection and management are not supervised by any ministry or state department in Bangladesh. Though *zakah* is religious and personal matter, at least Ministry of Religious Affairs can take step to advocate good practice of *zakah* distribution which can bring greater benefit to the state. According to [8], Bangladesh has not considered *zakah* as a national strategy for poverty alleviation. State

involvement could help to reduce external debt of Bangladesh. Off course any assistance to poor is benefiting them but proper management could bring higher benefit. In this regard, [12] recommended applying the concept of *zakah* properly to reduce income inequality at national level.

C. Conclusion

Islam realized economic inequality and introduced *zakah* to enable poor and needy to get rid of vicious cycle of poverty. Pious Muslims should maintain the same and give *zakah* to the eligible poor and in suggested ways. This research shows that most of the *zakah* are reaching to the poor in the form of cash and then recipients manage the money as per need. But piecemeal payment is not so conducive for the poor to get rid of poverty. To attain broader objective of self-employment, income generation and poverty reduction, a supervisory mechanism is important to create knowledge of *zakah* calculation and distribution. We noticed that maintaining some religious belief and practice positively affected accurate *zakah* payment behavior. People get *iman* and belief mostly by born and sometime without any effort but attachment to religious activities motivate them also to follow other religious profoundly.

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