

Exploring Zakat Entities And Their Functions In Bangladesh: A Comprehensive Overview And Prospective Pathways For Amplification

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ABSTRACT

An outline of the function and impact of Zakat organisations in Bangladesh is provided in this study. Zakat, a fundamental component of Islamic finance, is essential for combating poverty and advancing social welfare in nations where Muslims predominate, like Bangladesh. The study provides an overview of the primary roles that Zakat institutions play in Bangladesh through targeted analysis, including the collecting, distributing, and use of Zakat funds. It draws attention to how these organisations help underprivileged populations, combat poverty, and promote socio economic growth. The study provides potential pathways for Zakat institutions, from international exchange and collaboration initiatives to community empowerment programs. Zakat institutions may enhance their impact on reducing poverty, social well-being, and a sustainable development approach in Bangladesh by adopting these prospective paths. This research intends to stimulate transformational action and policy changes, encouraging more equitable and viable Zakat management practices in Bangladesh, with an emphasis on revealing the untapped strengths of Zakat institutions and suggesting several alternatives for their betterment.

Keywords: *Zakat Entities, Functions of Entities, Zakat Entities in Bangladesh.*

INTRODUCTION

One of the fundamental tenets of Islamic economics, Zakat, plays a crucial role in the socio-economic dynamics of countries where Muslims predominate. It is a primary means of income redistribution and poverty relief. Zakat is a vital tool for resolving socioeconomic inequities and promoting inclusive development in Bangladesh, where the predominant religion is Islam and a significant section of the population faces poverty. Bangladesh is a South Asian country known for its rich cultural legacy, dense population, and eclectic socioeconomic conditions. Since Islam is a fundamental part of the national fabric, Zakat has a significant influence on charitable endeavours and community welfare programs throughout the country. In the context of pervasive poverty and economic disparity, the management of Zakat has critical significance as a way to support the underprivileged and promote social

harmony among various groups within Bangladeshi society.

In Bangladesh, Zakat institutions mainly comprise governmental and non-governmental organizations, including religious institutions and philanthropic foundations (Islam, M. S., & Salma, U., 2020). To meet a variety of socioeconomic needs, including poverty reduction, education, healthcare, and social welfare, these organizations are tasked with mobilizing, administering, and distributing Zakat funds to the eligible recipients. The administrative frameworks of these organizations display a great deal of variability, which reflects the variety of methods and tactics used in the administration of Zakat in many sectors and areas in Bangladesh (Nabi et al., 2021).

The Zakat Fund of the Islamic Foundation, the sole government-run Zakat authority in Bangladesh, is a key institution in coordinating national efforts to collect and distribute Zakat. By utilizing their pre-existing networks and

institutional structures, this organization is dedicated to ensuring that Zakat funds are used effectively and following Islamic values and socioeconomic interests (Islamic Foundation Bangladesh, 2022). There are also a number of well-known non-governmental Zakat organizations, including the Centre for Zakat Management (CZM), the Mastul Foundation, the Anjuman Mufidul Islam (AMI), the Dhaka Ahsania Mission (DAM) the As-Sunnah Foundation, the Quantum Foundation (QF) and the Bangladesh Thalassemia Foundation (BTF) (Nabi et al., 2021).

Additionally, several Shariah-based banks complement numerous initiatives by carrying out Zakat-funded projects that target marginalized and vulnerable communities (Nabi et al., 2021). Zakat institutions perform more than just money transfer transactions from the haves to the have-nots; their mandate also includes community development and socioeconomic empowerment. These organizations collect and distribute Zakat, but they also carry out a variety of other tasks, including capacity-building projects, public awareness campaigns, and livelihood improvement programs that aim to improve the socio-economic standing of Zakat recipients and encourage their socio-economic mobility. Furthermore, Zakat institutions act as catalysts for the development of ethical stewardship, religious unity, and social cohesiveness within Muslim communities (CZM, 2023), which strengthens Bangladesh's culture of compassion and collective responsibility.

Given the noteworthy impact that Zakat institutions have on social welfare and poverty reduction, the purpose of this study is to present a thorough exploration of the various types, distinct roles, and noteworthy contributions of Zakat institutions in Bangladesh. This study examines closely the operational frameworks, organizational structures, and socioeconomic effects of Zakat entities to provide useful insights for improving

Zakat administration procedures and optimizing the socioeconomic advantages of Zakat contributions. Most importantly, to improve Zakat management system within Zakat entities in Bangladesh and further foster the objectives of social development and poverty alleviation, this research seeks to shed light on evidence-based policies, institutional changes, and capacity-building activities.

LITERATURE REVIEW

According to Islam (2016) and Jahangir and Bulut (2022), Bangladesh has two distinct mechanisms in place for managing Zakat. Together with a number of private organizations and individuals, the government's Zakat Board of Islamic Foundation Bangladesh oversees the voluntary management, collection, and distribution of Zakat. Nabi et al. (2021), found that the collection of Zakat in Bangladesh is administered by several organizations, including the Islamic Foundation, a government agency that collects, distributes, and manages the Zakat fund; Islamic banks, which annually donate Zakat to the underprivileged to combat poverty and enhance health and education; and charitable organizations, which oversee the collection and distribution of Zakat, including the Ahsania Mission, the Centre for Zakat Management, and the Quantum Foundation.

Uddin (2016) asserted that Zakat organisations in Bangladesh are not effective enough to improve the impoverished people's miserable state of affairs. The private Zakat organization Centre for Zakat Management (CZM) is involved in the nation's Zakat endeavours. Nonetheless, the country lacks the organization and development of a distinct foundation for the construction of Zakat houses and a similar type of Islamic bank. Certain amounts of Zakat are collected by the nation's religious ministry; however, they are insufficient. Its official Zakat

board lacks a clear framework that would direct the Zakat administrators in their collection and distribution of Zakat, which leaves these grounds for death. Between them and the country, it caused a gulf in trust.

Uddin et al. (2021) found that the Bangladeshi government's Zakat board does not have a defined procedure in place to monitor, collect, and distribute Zakat. In Bangladesh, the public contends that the lack of a suitable distribution network indicates the Zakat board administration does not manage Zakat following Shariah. People who live in remote areas also do not receive a sufficient portion of the Zakat fund. Obaidullah and Rahman (2021) have identified that the country's individual Zakat distribution is producing widespread unrest and casualties as a result of the government's poor supervision of the practice. Regrettably, contemporary management techniques are not prioritized, and government Zakat institutions' ineffective handling of this problem continues. However, as the government has not taken any meaningful steps to manage Zakat, some Islamic banks and the Centre for Zakat Management have been managing the practice on a small scale in private organizations while adhering to legal requirements and following the guidance of prominent Islamic scholars, economists, and philanthropists in this country.

In Bangladesh's private sector, Islam and Salma (2020) uncovered a variety of volunteer organizations, the majority of which are connected to religious institutions. Regrettably, how many of these institutions manage Zakat money lacks transparency. People are reluctant and averse to making Zakat contributions because there is minimal accountability and transparency. According to Hamzah (2018), Zakat is regulated in Bangladesh by a number of governmental and private Zakat boards. However, the lack of adequate technical

progress poses a threat to the nation's Zakat administration.

Nabi et al. (2021) have noted several ongoing issues with Bangladesh's traditional Zakat management. For instance, Bangladesh does not have a current, complete Zakat law to regulate the administration, collection, and disbursement of Zakat. There are not any well-run Zakat institutions in Bangladesh to collect and distribute Zakat. The government-managed National Zakat Fund has been collecting and distributing Zakat funds insufficiently, despite having a lot of potential. The absence of a national database on the collection and distribution of Zakat in Bangladesh's traditional Zakat management systems makes it difficult to create and execute strategies for managing Zakat funds. A Shariah Advisory Council is required to manage Zakat in line with Islamic Shariah and win over the public's trust; however, most Zakat organizations do not have one. Furthermore, they found that Bangladesh's Zakat administration lacks clear rules from Shariah experts addressing contemporary Zakatable assets. According to several studies (Islam & Salma 2020; Rahman & Obaidullah 2021; Rouf et al. 2021; Nabi et al. 2021), Zakat funds in Bangladesh have traditionally been managed, collected, and disbursed manually, putting them at risk of fraud and error as well as lack of accountability and transparency.

1. Zakat Institutions and Their Operational Framework

Zakat payment is traditionally seen as a voluntary act of social and religious responsibility in Bangladesh (Nabi et al. 2021; Islam & Salma 2020). In this country, one government organization primarily manages Zakat collection and distribution. To further support the nation's social welfare programs and attempts to reduce poverty, several organizations participate in the collection and distribution of Zakat payments. To promote a compassionate and supportive

community, these well-known Zakat organizations carefully evaluate the needs of impoverished people and strategically distribute money to assist the most disadvantaged members of society. The renowned Zakat organizations and their functions are as follows:

a. Government Institution

Islamic Foundation Bangladesh (IFB)

Bangabandhu Sheikh Mujibur Rahman founded Islamic Foundation Bangladesh on March 22, 1975, to promote Islamic social finance. On March 28, 1975, the Islamic Foundation Act was finally given the go-light and made into law (IFB, 2022). The Zakat Fund Division is one of the sixteen divisions comprising this foundation. The Zakat Fund Division under the Islamic Foundation, a government agency, is responsible for collecting and distributing Zakat. This Zakat Fund is operated by the Zakat Fund Ordinance, 1982, which proclaims Zakat to be a voluntary contribution made by Muslims in the country (Islamic Foundation Bangladesh, 2022).

On June 5, 1982, the Zakat Fund Ordinance (ZFO) was formed in Bangladesh to ensure the efficient use of Zakat contributions for the long-term well-being of underprivileged Muslims. This decree made it possible for a government-run Zakat Fund to be established and enabled the distribution of voluntary contributions in accordance with Shariah guidelines. In accordance with this ordinance, the Amil Zakat Agency was established to supervise the administration, management, and associated duties delineated in the Zakat Ordinance. It is a 13-member entity like Indonesia's BAZNAS. Prominent Muslim academics, public servants, and ex-officio members of pertinent ministries and organizations made up the agency as members (Islamic Foundation Bangladesh, 2019).

Following the Zakat Fund Ordinance, the District Zakat Committee

distributed 50% of the total funds received in each of Bangladesh's 64 districts to assist the poor. To ensure that the contributions reached people in need, the district-level Zakat Board actively engaged in the collection and distribution operations. At different administrative levels, committees were established to enable effective administration and allocation of Zakat funds. Furthermore, in accordance with Islamic Shari'ah, a charitable fund was formed to oversee donations and voluntary contributions for charitable purposes. This Fund's principal functions are to run a child's hospital, teach sewing, provide grants for education, rehabilitate the poor and disabled, provide medical help to the needy, provide financial aid to the newly converted Muslims, plant trees, etc. (Islamic Foundation Bangladesh, 2019).

Notwithstanding these endeavours, the Zakat Board, which was established under the 1982 decree, encountered obstacles and was not functioning with optimal efficacy. The government started the process of repealing the outdated ordinance and enacting a new law that complied with modern requirements after seeing the necessity for reform. As a result, the Zakat Fund Management Act was written and passed in 2023 to utilize information and communication technology (ICT) to modernize Zakat collection and distribution. The Zakat Board's organizational structure has been revamped under the new statute, which also encompasses 13 officers, including the Director-General of the Islamic Foundation, government officials, Islamic scholars, and representatives from trade associations. The board's duties included managing the Zakat fund, creating policies, and supervising operations and use Zakat funds to effectively combat poverty and rebuild society (Islamic Foundation Bangladesh, 2019).

Zakat payers can voluntarily pay Zakat at specified banks using the Zakat Fund created by the new act, which

guarantees transparent and efficient management of funds for Muslims living in the country and abroad. In addition to establishing a national Zakat board to supervise the collection, disbursement, and policy execution, the act highlights the government’s responsibility in managing Zakat. Although the act establishes a framework for Zakat administration under government’s supervision, its applicability to private Zakat management is still uncertain until specific rules and regulations are enacted. The provisions of the legislation must be put into effect as soon as possible to streamline the Zakat administration nationally and fully use its potential to reduce poverty and strengthen communities throughout Bangladesh. According to the IFB’s original documents (see Appendix A), they have collected BDT 102.15 million in Zakat funds in the 2022-2023 year. The distribution of this amount is still in process (see figures below).

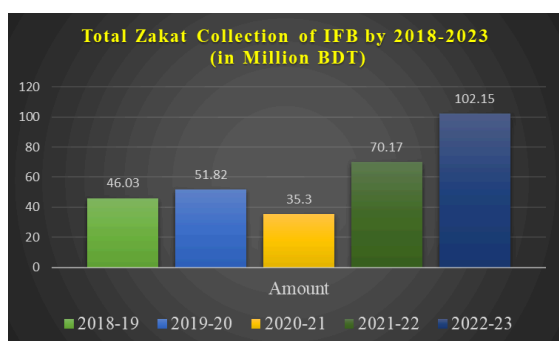


Figure: Total Zakat Collection of IFB by 2018-2023

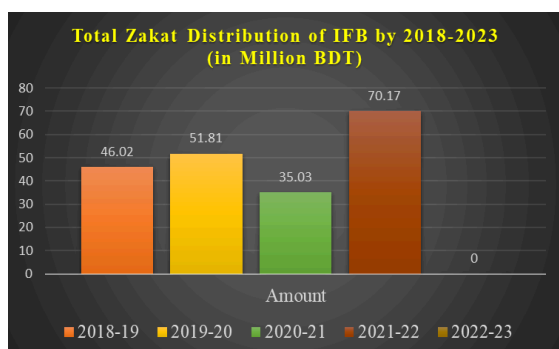


Figure: Total Zakat Distribution of IFB by 2018-2023.

b. Private Institutions

Centre for Zakat Management (CZM)

The formation of CZM commenced on March 21, 1993. After a number of initiatives, 15 years of experience, meticulous planning, hard work, and unwavering resolve, the journey officially got underway on 14 September 2008. CZM is a pro-poverty social enterprise whose mission is to promote the Zakat obligation enjoined by Allah (S.W.T.) as a means of bringing economic prosperity to the destitute. In order to institutionalize Zakat management, CZM works towards the nationwide mobilization and distribution of Zakat in a systematic and well-planned manner. It distributes Zakat funds for the alleviation of destitution through education, subsistence, accommodation, and training (CZM, 2023).

The CZM has been running numerous programs with Zakat money, such as:

1. **INSANIAT-Emergency**
Support: Through this program, CZM provides immediate support for emergency housing, food support, medical care, clothing distribution, and debt payback.
2. **JEEBIKA-Livelihood**
Development: The Zakat-deserving families are picked and organized into Grass-Roots Organisations (GRO) consisting of 25–30 families under this program through the execution of a baseline survey. They form a joint bank account and put a set amount of Zakat funds into it on behalf of each household. Besides, the program grants other services including healthcare, access to clean water and sanitation, child and adult education, training in skill development, and awareness session, etc.
3. **MUDAREEB-Enterprise**
Development: Through this

program, the intelligent Jeebika group members are identified and organized as micro-entrepreneurs, and CZM facilitates their activities by providing training, counselling, and the development of skills. A little investment capital is given to the group to help them expand their current enterprises. They mostly involve themselves with industries like renting agricultural equipment, minor retail operations, commercial agro-farming, cow rearing, poultry farming, and beef fattening.

4. **NAIPUNNA BIKASH-Vocational Training:** Through this program, CZM assists in finding suitable employment for children who have dropped out of school and youths who are unemployed. The program is being carried out by vocational training centres, which provide support for participants such as tuition costs as well as academic-related costs, including laboratory fees, examination fees, a stipend per month in accordance with the expense of living, and orientation sessions for moral growth and the practice of religious principles.
5. **FERDOUSI- Primary Healthcare:** Under this program, CZM raises awareness about proper hygiene and the use of safe water while ensuring the availability and access to medical care at the doorsteps of underprivileged women and children. Besides, through this particular program, CZM provides extra care to expectant and nursing mothers and takes initiatives to establish slab latrines and tube wells for safe water in every family.
6. **GULBAGICHA-Pre-primary Education:** As part of this program, CZM provides moral

education, primary and secondary schooling, and support for nutritional growth to disadvantaged children. Free textbooks, educational supplies, and clothing are given to the pupils. Food is offered in the lessons to mask a lack of nourishment. In addition, parents' counselling sessions for religious and moral instruction are organized. **GENIUS-Scholarship:** Through this program, CZM selects deserving students while taking into account their financial ability and other potential hazards, offers financial support based on their necessities (stipends every month for the first two academic years of undergraduate study), and holds counselling sessions and various career-building courses.

7. **DAWAH-Awareness Building:** By executing this particular program, CZM uses various forms of contemporary technologies and communication tools like email, books, letters, brochures, leaflets, flyers, social media, etc. to raise awareness of Zakat among the public (CZM, 2023). CZM received BDT 1.4 billion as Zakat funds from 2008 to 2020, and over 1 million needy individuals have benefited from CZM services through various types of programs (CZM Annual Report, 2021). According to the CZM's 2021–2022 audit report, they collected BDT 495.58 million as a Zakat fund in 2022 (see figure below) (CZM, 2023).

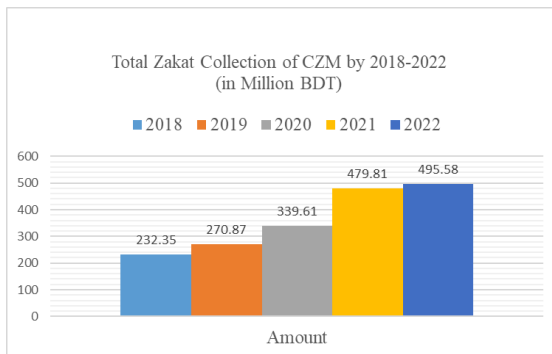


Figure: Total Zakat Collection of CZM by 2018-2022

Anjuman Mufidul Islam (AMI)

Anjuman Mufidul Islam is a Bangladeshi humanitarian organization established specifically to improve the quality of life for orphans and those in needs. For 118 years, it has been serving the most impoverished people. Sheth Ibrahim Mohammad Dupley of Surat, a well-known merchant, and philanthropist, founded it in 1905 as a voluntary, non-profit, and apolitical social welfare organization in Calcutta, British India. It provides several free humanitarian services to the needy without making discrimination based on religion, caste, or creed, including free education, orphanages, poverty rehabilitation, mobile medical services, relief services, burial services, etc. The burial service, however, is solely open to Muslims. One of the main sources of funding for this organization is Zakat (AMI, 2023).

Dhaka Ahsania Mission (DAM)

The non-governmental Dhaka Ahsania Mission was founded in 1958 by eminent educationist, reformer, and Sufi Khan Bahadur Ahsanullah. Since 1958, it has been running intending to promote the social and spiritual advancement of the whole human race. It has founded 15 institutions for education, 10 for health, 6 for economic development, and 6 for social development. It carries out a variety of development activities for the welfare of the underprivileged people of

Bangladesh, including non-formal education, primary healthcare, water and sanitation, vocational training for children in employment, Ahsania Mission Children City for the rehabilitation of homeless kids, disaster relief and recovery during natural disasters, and numerous additional development programs.

Dhaka Ahsania Mission (DAM) has developed a Zakat Fund called the “Ahsania Mission Zakat Fund” in addition to several other development initiatives for the benefit of Bangladesh’s underprivileged citizens. The received Zakat funds from persons or organizations are utilized solely for the welfare and development of the underprivileged. It uses the Zakat fund for a variety of social development initiatives, such as funding for the education of poor children, funding for the medical care of the poor and helpless.

As well as, funding for cancer patients’ treatment, aiding poor families in constructing or fixing up their homes, funding for the wedding costs of poor families’ daughters, and aiding other poor people by activities that generate money (DAM, 2023). According to the DAM Annual Report 2021, the Ahsania Mission Zakat Fund raised over \$12.47 million and distributed about \$12.31 million to the recipients in the year 2020–2021 (DAM Annual Report, 2021). A report showed that from April 2022 to January 2023, the Ahsania Zakat Fund received around BDT 12.48 million and distributed about BDT 11.56 million (DAM Zakat Fund Statement, 2023).

As-Sunnah Foundation

Shaikh Ahmadullah, a prominent Islamic scholar of Bangladesh, founded the As-Sunnah Foundation in 2017. It is a government-registered, non-profit, non-political organization committed to Dawah, education, and the welfare of people. The organization manages a number of projects like the self-reliance project, Qurbani (animal sacrifice) for all,

distribution of aid to flood victims, educating and raising orphans, Sadaqah Jariyah (ongoing charity), winter cloth distribution, tree planting program, distribution of Ramadan food and *iftar*, and so on.

One of the primary sources of funding and income for this organization is Zakat. It mainly utilizes Zakat funds to assist widows and children, who are living in abject poverty, aid the poor, offer emergency medical aid, train talented individuals, and enable them to earn a living. For instance, they distributed 2,000 rickshaws using Zakat funds to eligible Zakat beneficiaries in 2023 (As-Sunnah Foundation, 2023).

Quantum Foundation (QF)

A pioneer in bringing the practice of scientific meditation to Bangladesh, Gurujee Shahid El-Bukhari established a non-profit charitable organization known as Quantum Foundation. The Quantum Foundation, including classes in mediation, blood donation campaigns, rehabilitation projects, and many others, carries out numerous philanthropic initiatives (Quantum Method, 2023).

Along with performing its other social duties, it mobilizes Zakat and grants money to the poor. The Quantum Foundation established the Quantum Zakat Fund in 1996 with the goal of reducing the poverty of disadvantaged and struggling individuals. The money collected from the quantum Zakat fund is spent on the far-reaching objective of material, moral and spiritual rehabilitation in the *Shariah*-prescribed sectors. Every year, the amount of Zakat deposited with the Foundation grows significantly. Quantum Zakat Brochure 2022 states that in 2021, the Quantum Zakat Fund received about BDT 133.03 million (Quantum Zakat Brochure, 2022).

Bangladesh Thalassemia Foundation (BTF)

The Bangladesh Thalassemia Foundation (BTF) is a charitable organization committed to supporting and helping patients with thalassemia. A group of thalassemia patients, their families, and volunteers launched it in 2002 as a support group. Later, the management of patients and awareness of thalassemia were added to their activities (BTF, 2020).

They established a Zakat fund namely the “Thalassemia Foundation Zakat Fund,” which is regarded as a lifeline for a significant number of Thalassemia sufferers in this foundation. According to the Zakat policy of this foundation, Zakat is paid based on eligibility to receive Zakat after reviewing the application form of the patient interested in receiving Zakat according to Islamic *Shariah*. Certain categories of patients are considered eligible for Zakat, such as the destitute, the needy, and those who cannot meet their own needs and who cannot ask openly but who appear to be wealthy outwardly. Zakat money is not provided to anyone who does not approve of Islamic *Shariah*. In 2022, 1577 Thalassemia patients received treatment through the Zakat fund after this charity received BDT 57.34 million in Zakat funds, as shown in figures below (BTF, 2022).

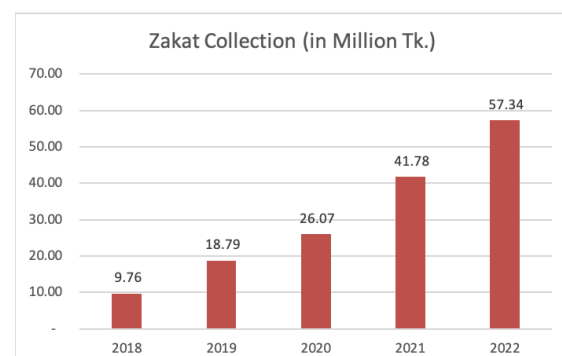


Figure: Total Zakat Collection of BTF by 2018-2022

Source: BTF, 2022.

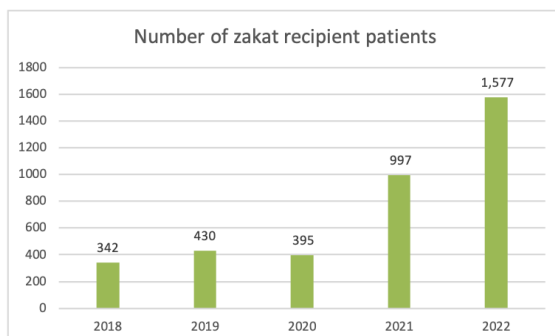


Figure: Total Number of Zakat Recipient Patients from BTF by 2018-2022

Source: BTF, 2022.

Mastul Foundation

The Mastul Foundation is a charity, non-profit, voluntary, non-governmental, social development, and research-based organization that works to help underprivileged people. It was founded in the year 2013 with the intention of using Bangladeshi youths to aid impoverished people. It conducts numerous charitable activities, including offering aid to flood victims, supplying winter clothing and blankets to the needy, holding free healthcare camps, planting trees and encouraging a greener lifestyle, and so on (Mastul Foundation, 2023).

With the aim of empowering the less fortunate, they have been operating a program termed the “Zakat Empowerment Project” since 2018 (Mastul Foundation’s Annual Highlights, 2022). This Foundation coordinates Zakat activities all year round. The Mastul RDM Team puts forth a lot of effort to provide the less fortunate with Zakat from sponsors and contributors. Mastul’s Zakat programs consist of five primary activities: self-reliance projects, orphan sponsorship projects, women empowerment initiatives using sewing machines and centres for women, free oxygen support and ambulance service, distribution initiatives of disaster relief, and winter clothing distribution campaigns (Mastul Foundation, 2023).

Annual Highlight-2022 of this foundation showed that 123 plus widows,

57 plus disabled, 300 plus flood affected victims, 120 plus other needy people benefited from its Zakat Fund by getting 175 plus sewing machines, 15 plus boats, 10 plus cows, 130 plus goats and sheep, 170 plus duck and hens, and 100 plus small businesses (Mastul Foundation’s Annual Highlights, 2022).

Islami Bank Bangladesh PLC (IBBPLC)

IBBPLC is Bangladesh’s largest commercial bank. It was founded in March 1983 as the very first *Shariah*-based Islamic bank in Southeast Asian countries (IBBPLC, 2023). The Islamic *Shariah* regulations and guiding principles are followed in the computation of Zakat applicable on Zakatable assets of this particular Bank. It is important to note that IBBPLC does not make Zakat payments on behalf of shareholders and depositors. Depositors and shareholders are solely responsible for paying Zakat on their respective deposits and shares. As the bank keeps its financial records in accordance with the Gregorian Year, Zakat is paid by the Bank at a rate of 2.58% (instead of 2.50%) and is computed on the closing balances of the Statutory Reserve, Share Premium, Dividend Equalisation Accounts, and General Reserve (IBBPLC Annual Report, 2022).

According to the “Guidelines for Islamic Banking” published by Bangladesh Bank through BRPD Circular No. 15 on 09.11.2009, Zakat is levied on the bank’s profit and loss account. Since the shareholders and depositors, respectively, are responsible for paying Zakat on paid-up capital and deposits, the bank does not pay Zakat on their behalf. According to the IBBPLC’s Annual Report-2022, the bank distributed BDT 979.99 million as Zakat money among beneficiaries (IBBPLC Annual Report, 2022).

Exim Bank

Under the direction of the late Mr. Shahjahan Kabir, the Export-Import Bank of Bangladesh Ltd. was founded in 1999. On August 3, 1999, it formally began its functioning in accordance with the conventional banking system. Later, in July 2004, the bank transitioned all of its traditional banking activities into *Shariah*-based Islamic banking under the direction of Mr. Lakiotullah (Exim Bank, 2019). The bank pays Zakat at a rate of 2.58% of the balance of their statutory reserves, dividend equalization accounts, and prior year retained earnings at the conclusion of each fiscal year. According to the “Guidelines for Islamic Banking” published by Bangladesh Bank through BRPD Circular No. 15 issued on 09 November 2009, Zakat is levied on the bank’s account for profit and loss. Shareholders and depositors respectively must pay Zakat on paid-up capital and deposits. Hence, the bank is not responsible for paying Zakat on their behalf (Exim Bank’s Consolidated Financial Statement, 2022).

In 2022, The EXIM Bank’s *Shariah* Supervisory Committee has recommended that, following correct computation and distribution to the appropriate sectors in accordance with the guidance of the Quran and Sunnah, Zakat be paid annually on the bank’s Zakatable assets. It should be noted that Zakat has not been paid on the shareholder and depositors’ accounts (Exim Bank’s Annual Report, 2022). According to the Exim Bank’s consolidated financial statement for the period ended 30 September 2022, the bank distributed BDT 201.11 million to recipients as Zakat money (Exim Bank’s Consolidated Financial Statement, 2022).

Shahjalal Islami Bank Limited (SJIBL)

On May 10, 2001, Shahjalal Islami Bank Limited (SJIBL) began conducting business in line with the principles of Islamic *Shariah*. This was accomplished in accordance with the 1991 Bank

Companies Act (SJIBL, 2023). The bank has formed a foundation named the “Shahjalal Islami Bank Foundation” with the goal of providing welfare services to the larger community by using Corporate Social Responsibility (CSR) & Zakat money. Zakat is one of the significant sources of funds for this foundation’s donation. They collect Zakat from the public as well as Zakat from the final balance of the banks’ statutory reserve, general reserve, share premium, retained earnings, and so on (SJIBL, 2023).

The Foundation of this particular bank is strongly devoted to assuring both *Shariah* and legal compliance in utilizing its fund for the purpose of corporate social responsibility (CSR) and managing the Zakat fund properly (SJIBL, 2023). According to SJIBL Annual Audited Financial Statements (2022), the foundation distributed around BDT 205.58 million as Zakat money among beneficiaries in 2022.

Social Islami Bank Ltd. (SIBL)

Since its establishment in 1995, Social Islami Bank Ltd. (SIBL) has grown to become the country’s premier banking organization in line with the principles of *Shariah*. This financial institution consists of SIBL Foundation Hospital, SIBL Securities Ltd., and SIBL Investment Ltd. Being a *Shariah*-oriented bank, SIBL is very aware of its social obligation and consistently seeks to support the country’s social cause. It has a devoted CSR Desk with the purpose of serving humankind via various charitable endeavours with a focus on education, health, poverty reduction, managing disasters, rehabilitation, and other areas. Every year, a significant sum is spent by the bank on the community’s well-being (SIBL, 2023).

On the reserves held during the year, the Bank has established a Zakat Fund. Zakat is calculated at a rate of 2.58% for the period ending on December 31, 2022. Under the bank’s provision of Zakat, 2.5% of the Zakat Fund has been

calculated using the *Hizri* Calendar. The proportion of 2.5% is comparable to 2.58% of the English Calendar since the *Hizri* Calendar usually counts 11 fewer days than the English Calendar does. It is notable that shareholders give their own Zakat depending on the face value of each share they own (BDT 10.00) and the value of any additional Zakatable assets (Annual Financial Statements, 2022). According to the SIBL Annual Financial Statements for 2022, its Zakat Fund disbursed around BDT 196.21 million among recipients in 2022.

First Security Islami Bank Limited (FSIBL)

First Security Islami Bank Limited (FSIBL) is one of the pioneers in the history of the Islamic *Shariah*-based banking system in Bangladesh with contemporary and innovative rules. A *Shariah*-compliant bank abides by all Islamic laws and guidelines. It was officially opened on October 25, 1999. On January 1st, 2009, the bank's board of directors and management decided to convert it to a fully functional Islamic bank after taking into account public demand and providing an explanation for their smart choice (FSIBL, 2023). The bank performs several social duties including helping the people affected by the cold, flood, and natural calamities, donating relief, sponsoring developing science and health initiatives, providing scholarships to poor students, etc. (FSIBL, 2023).

There is a Zakat Fund at the bank. The bank pays Zakat at a rate of 2.58% on the closing balances of the excess retained earnings, statutory reserves, other reserves, and exchange equalization accounts (instead of 2.50% as the bank keeps its financial records in accordance with the Gregorian Year). The shareholders' depositors are accountable for paying Zakat on paid-up capital and deposits, respectively. According to the bank's Annual Report (2022), its Zakat Fund

disbursed around BDT 223.59 million among recipients in 2022.

Standard Bank Limited (SBL)

Standard Bank Limited (SBL) is a *Shariah*-based Islamic bank. The Bank made excellent success in its commercial activities on June 3, 1999, after being formed as a public limited company under the Companies Act of 1994 on May 11, 1999 (SBL, 2023). The bank contains a Zakat Fund. As the Bank keeps its financial records in accordance with the Gregorian Year, it pays Zakat at a rate of 2.58% (instead of 2.50%) based on the closing balances of the statutory reserve, general reserve (retained earnings), share premium, and dividend equalisation accounts. In accordance with the Guidelines for Islamic banking published by Bangladesh Bank through BRPD Circular No. 15 issued on 09.11.2009, Zakat is levied on the bank's profit and loss account. Since the shareholders and depositors, respectively, are responsible for paying Zakat, no Zakat is paid on paid-up capital or deposits on their behalf. According to the SBL's Annual Report (2022), its Zakat Fund distributed around BDT 7.50 million among beneficiaries in 2022.

METHODOLOGY

This study uses secondary data, mostly from the official websites of several Zakat organizations that are active in Bangladesh. This method made it possible to have a thorough grasp of the structures and duties of the nation's public and private Zakat organizations. A strong basis for the ensuing examination and interpretation of the acquired data was created by obtaining and evaluating data directly from these reliable sources. The approach started with a methodical analysis of the mandates, organizational structures, and operating guidelines provided on the official websites of the Zakat organizations that were the subject

of the investigation. To obtain insight into various duties, responsibilities, and actions linked to Zakat collection, management, and distribution, this study closely examined documents such as financial statements, annual reports, policy papers, and mission statements.

In addition, the author conducted a critical evaluation of the material gleaned from various sources, taking into account elements including the information's relevancy, dependability, and credibility. Key conclusions and trends that illuminated the existing situation of Zakat organizations in Bangladesh and pointed out possible areas for development surfaced after thorough investigation and interpretation. The author's viewpoint and analysis of the collected data, which formed the foundation for the suggestions and future paths for the Zakat administration and organization in Bangladesh, were essential to this technique. Through the integration of both empirical data and analytical perspectives, this methodology sought to offer a thorough comprehension of the obstacles and prospects confronting Zakat establishments throughout the nation. Furthermore, the use of publicly available data from official sources guaranteed accountability and openness throughout the research process, allowing readers to independently confirm the study's conclusions and findings. The study's overall integrity was strengthened by an emphasis on rigour and transparency, which improved the research outcomes' validity and trustworthiness.

In a nutshell, the research method utilized in this study highlighted the significance of obtaining information from credible and authoritative sources to guide the examination and understanding of the administration and structure of Zakat in Bangladesh. This research sought to add to the continuing discussion on possible ways to optimize Zakat institutions for the nation's socioeconomic growth and

poverty reduction by using a methodical and thorough approach.

DISCUSSION

The array of Zakat organizations in Bangladesh is heterogeneous, encompassing both public and private entities, each with distinct goals and methods of operation. These organizations are essential in gathering and allocating Zakat money to finance different social welfare initiatives and reduce poverty across the nation. Zakat distribution and collection have traditionally been overseen by government organizations such as the Islamic Foundation Bangladesh (IFB). IFB was founded in 1975 and runs the Zakat Fund Division, which is in charge of gathering and allocating Zakat payments. Even after being there for a while, IFB has had trouble making sure that the Zakat administration is done as efficiently as possible. On the other hand, new legislative initiatives, including the Zakat Fund Management Act of 2023, seek to use information and communication technology (ICT) to modernize Zakat management. The goal of these reforms is to maximize Zakat's capacity to fight poverty and build stronger communities by streamlining the policy's implementation, collecting, and distribution processes.

Substantial players in Zakat management have also arisen from the private sector, such as the Centre for Zakat Management (CZM). CZM is a pro-poverty social organization that was founded in 2008 and focuses on organizing people around the country and methodically distributing Zakat funds. Emergency assistance, livelihood development, company growth, education, vocational training, and healthcare are just a few of the objectives of the several programs that CZM executes. Since its founding, CZM has benefited over a million people and grown to become a premier Zakat organization by placing a significant focus on conceptualization and

careful implementation. Other private organizations that provide substantial contributions to the management of Zakat and social welfare programs are Dhaka Ahsania Mission (DAM), Anjuman Mufidul Islam (AMI), As-Sunnah Foundation, Bangladesh Thalassemia Foundation (BTF), Quantum Foundation (QF), and Mastul Foundation. These organizations, which get all or a portion of their funding from Zakat payments, offer a wide range of services, including free education, vocational training, healthcare, disaster relief, livelihood assistance, and humanitarian aid. Furthermore, Islamic banks are essential to the administration of Zakat. Examples of these institutions are Islami Bank Bangladesh PLC (IBBPLC), Shahjalal Islami Bank Limited (SJIBL), Exim Bank, Social Islami Bank Ltd. (SIBL), Standard Bank Limited (SBL), and First Security Islami Bank Limited (FSIBL). These banks follow Shariah regulations and assist depositors and shareholders in making Zakat contributions, even though they do not directly manage Zakat funds. Furthermore, these banks frequently use Zakat-funded corporate social responsibility (CSR) programs to support social welfare.

To conclude, an extensive review of Bangladesh's organizations for Zakat and their operational structure reveals a complex network of public and private entities devoted to social welfare and the reduction of poverty. These organizations are essential to the gathering, handling, and distribution of Zakat fund for the benefit of the weakest members of society. However, obstacles including antiquated legal systems, ineffective administrative procedures, and inadequate technology integration continue to impede the best possible use of Zakat funds. The author will provide potential pathways for advancement in Bangladesh's Zakat administration and organization in the subsequent section.

PROSPECTIVE PATHWAYS

It is crucial to steer towards sustainable and significant projects as Zakat institutions in Bangladesh traverse the challenging landscape of social welfare and poverty eradication. A proactive strategy that embraces prospects and tackles present difficulties is crucial in this endeavour. The eight prospective pathways outlined in this article are intended to steer Zakat institutions in the direction of increased efficiency and significance in the Bangladeshi context. Zakat institutions may promote inclusive growth and enhance their socio-economic development in Bangladesh by adopting these pathways.

Collaborative Partnerships for Impact: To optimize the effects of Zakat efforts, it is imperative to cultivate collaboration and alliances between Zakat institutions, governmental organizations, non-governmental organizations, and other stakeholders. These organizations can pool resources to solve similar issues and accomplish common objectives by forming strategic partnerships and exchanging best practices. Furthermore, Zakat institutions may benefit from global best practices, exchange lessons learned, and add to the global conversation on Islamic charity and social finance by actively engaging in international partnership and exchange programs. This entails establishing alliances with global organizations, taking part in forums and conferences, and creating knowledge-sharing networks. Utilizing such global community participation, Zakat institutions can get access to invaluable resources, experience, and assistance, which in turn may improve their ability and efficacy in addressing poverty and promoting social development in Bangladesh.

Harnessing Technology for Zakat Administration: The adoption of technology in Zakat management in Bangladesh has significant potential to

improve the effectiveness, transparency, accountability, and reach of Zakat institutions. These organizations can ensure a more precise allocation of funds and expedite operations by incorporating digital platforms into the Zakat collection and distribution processes. Besides, the use of block chain technology for transparent money monitoring can increase accountability and build stronger confidence between recipients and contributors. In addition to improving operations, Zakat organizations may increase their outreach and involvement by utilizing digital channels. They may effectively explain Zakat principles, highlight successful initiatives, and persuade donors to continue making donations by using data-driven methods and internet platforms. By optimizing present procedures and laying the groundwork for future advancements in the Zakat administration, this forward-thinking strategy eventually may strengthen the socioeconomic influence of Zakat organizations in Bangladesh.

Addressing Gender Disparities: It is critical to address gender inequality in Zakat institutions to promote inclusive and equitable communities. Setting priorities for programs that advance gender equality among Zakat beneficiaries necessitates a diverse strategy. Gender-sensitive techniques should be incorporated into Zakat programs, acknowledging and addressing the unique demands and difficulties encountered by women. This means making sure that everyone has equal access to Zakat funds and opening up channels for women to participate and make decisions inside the organization. Institutions that distribute Zakat can also be extremely important in promoting women's financial empowerment and education. These organizations may improve the socioeconomic standing of women by offering targeted help such as scholarships for girls, microfinance programs, and vocational training. In addition, providing an atmosphere that is

supportive of women's education and skill development may enable them to take an active role in the development of their communities. Ultimately, Zakat institutions help to create a more equitable and inclusive society where everyone, regardless of gender, has equal opportunity to prosper by giving gender equality efforts priority. This dedication not only supports social fairness and sustainable development for all societal members, but it also conforms to Islamic teachings.

Advocating for Policy Reforms:

To facilitate efficient Zakat administration and poverty reduction, Zakat institutions should advocate for policy improvements. This entails lobbying legislators to support laws that advance social justice and inclusive development, as well as regulatory frameworks that make it easier for Zakat to operate. Along with that, tax incentives need to be provided to promote Zakat donations. Zakat organizations should also concentrate on advocating policies that advance human rights, social justice, and fair development. This entails educating the public and decision-makers about social justice concerns as well as fighting for laws that support the rights of marginalized groups and the impoverished. Zakat organizations may alleviate systemic inequality and promote sustainable development in Bangladesh by implementing these initiatives.

Community Empowerment

Programs: Zakat institutions should implement all-encompassing initiatives for community empowerment to augment the socio-economic resilience of their surrounding communities. Specialized assistance for marginalized populations, such as skill development, vocational education, and entrepreneurial development, should be the key objectives of these projects. To promote sustainable development and alleviate poverty at the local level, Zakat institutions can help communities become self-sufficient and economically independent.

Youth Engagement Initiatives:

Zakat institutions should give priority to youth engagement programs that encourage active involvement in community development activities, given the recognition that young people can be catalysts for social change. To do this, youth-led Zakat committees might be formed, leadership development seminars could be held, and youth-led social entrepreneurial projects should be encouraged. Zakat institutions can use the inventiveness, dynamism, and enthusiasm of youth to propel sustainable development in Bangladesh and tackle urgent socio-economic issues by enabling them to act as agents for positive change.

Research and Data Analysis:

Institutions that deal with Zakat should spend money on research and data analysis to create policies and make evidence-based decisions. This involves carrying out in-depth research on beneficiary feedback, socioeconomic effects, and Zakat use trends. Zakat organizations may monitor the success of their initiatives and programs, spot emerging trends, and allocate resources more efficiently by obtaining precise data and insights. They will be able to improve the Zakat administration's effectiveness, accountability, and transparency as a result, which will eventually benefit recipients and communities.

Islamic Social Finance

Innovation: Institutions that collect and distribute Zakat ought to investigate novel methods of Islamic social finance that go beyond traditional practices. This might involve encouraging Sadaqah (voluntary charity) activities to meet particular community needs and supporting Islamic microfinance programs to empower small businesses and entrepreneurs. Zakat organizations may increase their influence, reach new beneficiaries, and support Bangladesh's sustainable development by embracing innovation in Islamic social financing.

CONCLUSION

This study provides insights into the current status of Zakat organizations in Bangladesh and suggests prospective paths for their expansion. It is clear from examining both public and private Zakat organizations that although progress has been made, there is still much room for growth and development. While the Government Zakat Institution is an important part of the Zakat ecosystem, there is a need for improvement in terms of its outreach. Besides, there is a need for further cooperation and coordination across private Zakat organizations to optimize the effect, even though they demonstrate innovation and variation in their approaches.

Going forward, the prospective recommendations presented here offer a route ahead. Collaborative alliances offer chances to pool resources and knowledge for more influence. Using technology to its full potential can improve Zakat administration and make it more accessible and efficient. It is essential to address gender discrepancies to promote fairness and inclusion within the Zakat institution. Promoting legislative changes can help establish a favourable atmosphere for Zakat usage and mobilization. The use of Islamic social finance innovations, community development programs, and youth involvement initiatives has the potential to enhance the efficacy and scope of Zakat activities. Additionally, for strategic planning and well-informed decision-making in Zakat administration, research and data analysis are essential.

The Zakat organizations in Bangladesh may maximize Zakat's potential to reduce poverty and advance social development by adopting these approaches, therefore exemplifying the values of equity and empathy in society.

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