

Distribution of Zakat in the Form of Productive Assets: Certain Theoretical, Practical and Accounting Implications

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Abstract

Recent innovations of zakat disbursement in Malaysia have significant implications on accounting. Traditionally, zakat has been distributed in the form of cash disbursed directly to zakat beneficiaries (*asnaf*). This is generally referred to as consumptive distribution. With an increase in the amount of zakat collected, zakat agencies have developed various schemes to distribute zakat in the form of productive assets. Sometimes referred to as productive distribution. Such distribution helps zakat beneficiaries in generating their own income in the long run, thus contributing to the self-sustenance of beneficiaries which may eventually lead to the *asnafs* “coming out” poverty. Consistent with this view, State Islamic Religious Councils (SIRCs) in Malaysia have also distributed zakat in the form of productive assets. Given this, it is interesting to examine the practical and theoretical implications on the accounting of such distributions. Data was collected from 4 SIRCs to examine the extent zakat is being distributed in the form of productive assets and the accounting treatment of such distribution. Suggestions of how productive zakat distribution should be accounted for have also been proposed.

Keywords: Zakat, Zakat Distribution, Productive Assets, Accounting, Malaysia

1.0 Introduction

Zakat, is one of the pillars of Islam that is an integral, compulsory and inseparable part of the Islamic way of life. Zakat covers the moral, social and economic aspects of human life. From the moral perspective, zakat purifies oneself from greed and the material pursuit of riches, whilst socially it functions as a unique measure to abolish poverty from society as well as encouraging the rich to live up to their social responsibilities (Mannan, 1986). Thus, the question as to how zakat is distributed is pertinent. More importantly, economists have often suggested

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