

# **SMART**

## **Journal of Business Management Studies**

(A Professional, Refereed, International and Indexed Journal)

---

**Vol-15 Number-1**

**January - June 2019**

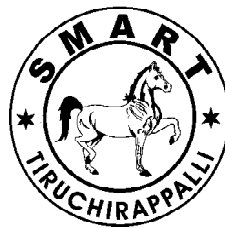
**Rs.500**

---

**ISSN 0973-1598 (Print)**

**ISSN 2321-2012 (Online)**

**Professor MURUGESAN SELVAM, M.Com, MBA, Ph.D, D.Litt**  
Founder - Publisher and Chief Editor



**SCIENTIFIC MANAGEMENT AND ADVANCED RESEARCH TRUST  
(SMART)**

***TIRUCHIRAPPALLI (INDIA)***

***www.smartjournalbms.org***

## PROPOSING A NEW ZAKAT MODEL - THE SALWA FUND

**Zakiya Begum Sayed\***

*Lecturer, Department of Business Administration,  
Jubail University College, Saudi Arabia  
zakiasam@yahoo.com*

*and*

**Humera Shahid**

*Assistant Professor, Department of Business Administration,  
Jubail University College, Saudi Arabia  
humera-shahid@hotmail.com*

### **Abstract**

*The purpose of this study is to design a product, which will provide support to true purpose of zakat, that is, eliminating poverty from its roots. It will help in increasing saving habits in zakat beneficiaries and work out their prosperity, under the new Zakat model. The Salwa Fund provides assurance, reliability and ease of payment to the zakat payer; access to funds, liquidity, marketability and flexibility, to the zakat beneficiary and this has been visualized in this document. A survey method was adopted to conduct a need analysis, among the current zakat payers, which affirmed the need for such a financial product which achieves the economy's goals of financial inclusion, along with providing a new financial product to the institutions, intermediaries and existing zakat organizations to help them in proper distribution of zakat funds and fulfill their corporate social responsibility by converting zakat beneficiaries to zakat payers.*

**Keywords:** *Zakat Model, Zakat Beneficiaries, Zakat Payers, Corporate Social Responsibility, Transparency*

**JEL Code:** *G32, O16, R51*

**Paper Received :** 28.10.2018

**Revised :** 07.12.2018

**Accepted :** 13.12.2018

---

\* Corresponding Author

## 1. Introduction

Among five pillars of Islam, Zakat is considered the third pillar of Islam. It is a mode of loyalty and saying thanks to Allah Almighty, for blessing zakat payer, with assets, food and a good living. It creates unity and love among Muslims. Despite the tremendous growth of the Islamic Finance industry and the unprecedented achievements of impressive milestones, majority of the Muslim population is still excluded from the financial market and fall beyond the radar of the finance industry. Economic development and high claims of Islamic Finance industry to the success would be justified when there is unequivocal economic justice, eradication of poverty, flourishing of productive activities and circulation of economic wealth among the society as a whole and Muslim community in particular. Islam is a balanced religion which shows the way to live for spirituality and worldly achievement (**Muzaffar Iqbal, 2007**). Thus Islamic finance industry should be able to facilitate the fulfillment of religious obligation of the Muslims as well as help them achieve economic well being.

## 2. Review of Literature

**Hafidhudhin and Beik (2010)**, in their study, stated that two types of zakat funds, given by Bazdki, could help in reducing poverty if managed properly. These two types of funds are consumption based and productive based programs. Findings of their study proved reduction of poverty by 16.97%. In Malaysia, the distributed zakat funds are either of productive or unproductive types (**Abdul Wahab and Abdul Rahim, 2011**). In many Islamic countries, government take the responsibility for disbursing zakat like Brunei (**Sapar 2010**). In Pakistan, Baitulmal is also maintained in order to distribute zakat, which is being collected by banks and submitted to government. In other countries like Malaysia, zakat collection is done

by institutions. It is their responsibility to promote, collect and distribute zakat to the needy people (**Azman et al, 2012; Jamaliah et al, 2012**).

Few studies have also focused on problems relating to zakat institutions. **Azman et al, 2012** have stated that employees should be provided with a sense of serving humanity on Islamic grounds, dealing with zakat beneficiary gently. Previous studies have also reported that zakat payers are not happy with the zakat disbursement mechanism. Trust between zakat payers and zakat institutions are also important because if zakat payers are not satisfied, they would start paying zakat by themselves (**Abdul Quddus, 2009**). Zakat management should include trust and professionalism in order to maintain zakat beneficiaries' interest (**Ataina and Achmad, 2010**). **Azman et al. (2012)** stated that efficient zakat management system should be implemented in order to remove inefficiencies of zakat disbursement. They further stated that zakat disbursement is inefficient as it does not reach right beneficiaries, due to lack of proper communication sources between authority and community. It was further reported by researchers that although zakat collection was improving in Malaysia (**Abdul Rahman, 2012**), zakat distributions was found unsatisfactory (**Hairunnizam et.al, 2008**). **Ahmeda R. et al (2015)** found that although there is huge development in information technology, still the mode of communication for publicizing zakat disbursement was through word of mouth. This was the biggest issue which keeps the right zakat beneficiaries away from getting benefit of zakat funds.

Generally, zakat management comprises of two activities-zakat collection and zakat distribution (**Ahmad, 2009**). **Oran (2009)** stated that zakat collector (Amil) should collect funds from zakat payers, manage the funds and

distribute it to beneficiaries. Proper management of zakat helps in timely collection and distribution of zakat fund according to **Shariah (Abdul Quddus, 2009; Mutiara, Zakaria and Zahri, 2013). Mahyuddin and Abdullah, (2011)** stated that effective zakat management is also important because it helps in improving the life of poor and needy. **Norazlina and Abdul Rahim (2011)** have proposed that there should be proper governance of zakat institutions in Malaysia so that they work better for this novel objective. Some studies have also focused on appropriate distribution of zakat and suggested different techniques in order to improve it. **Mahyuddin and Abdullah (2011)** mentioned that in order to get better results of zakat distribution, more self-sustained method of zakat distribution should be developed. Some studies have provided mechanisms, suggesting that zakat institutions should work along with microfinance institutions in order to make zakat disbursement efficient (**Yumna and Clarke, 2011; Nur Bani, Abdul Halim and Noor Ashikin, 2012**).

In addition to issues related to management of zakat funds, previous studies have also discussed about the improvement of society with zakat funds. **Sarif and Kamri (2009)** stated that in order to improve living standards of poor, zakat funds should be given to them as loans rather than grants because if the beneficiary has no pressure to repay money, he will not make effort to improve his life and will be beneficiary forever. They further stated that such loans should be given to recipients, who could do productive work and for nonproductive recipients it should be given as grant. But this is dilatable by Muslims scholars who feel that of out of eight zakat beneficiaries, five are those who are unable to pay (the poor, the needy, the slaves, the debtors and the wayfarer (**Sadeq, 1997**).

The practical implication of this new model is that it could be used by financial institutions and zakat collection and disbursement organizations like Red Crescent, WAMY, Edhi Foundation (international), Bab Risq Jamil (three countries), Akhuwat (national Pakistan), Muslim Aid (Serving Humanity) (international), National Zakat Foundation (only on UK), Human Relief Foundation (HRF) (international), Islamic Relief UK (international), International WAQF and ZAKAT foundation and Zakat foundation of America and many more.

### **2.1 Proposed Financial Product “Salwa Fund”**

Islamic Investment Funds (Salwa Fund) will professionally create an investment fund from the collected zakat each year. The Fund units will be completely transferred in the name of the recognized ZBs. A bank account (for Salwa Fund) and special debit card (Salwa Cash) issued to the ZBs into which zakat amount is periodically credited from the earnings of the Salwa Fund. ZBs use the Salwa Cash like a normal bank debit card for meeting their daily needs. The Salwa units are at their disposal and will earn them monthly credit from the earnings of the fund as long as they hold it. They may decide to sell the fund in the open market as they please. The Salwa Fund would follow the normal investment and Shari’ah regulation throughout its life and would differ from the normal investment funds only in the initial disbursement of the funds, that would be done free of cost to the recognized ZBs. But once launched it would be traded like any normal fund without any attribution that the fund was originated from the zakat amount (because the zakat amount had been originally distributed and the ZPs obligation was met, the instrument after it passes through the ZBs hands would be pure

and mix with normal instruments, just like currency notes given as zakat would mix into the economy without a label.

### 3. Statement of the Problem

Though zakat is an individual responsibility, historically, it has been collected and distributed by the Islamic State. The Zakat beneficiary, though has a right to zakat, in reality, has less access to the funds due to various reasons (Azman et al, 2012). In pursuit of such a product, which can meet the high Shari'ah standard as well as pass through the scanner of financial feasibility, this study has conceptualized a product named the Salwa Fund, by answering the following questions/ criteria.

Zakat product should enable the Zakat Payers (ZP) to meet his zakat obligation in an economically fair, reliable and convincing manner. Identification of zakat beneficiary (ZB) and scaffolding zakat amount to ensure economic stability and a means for enhancing his future. The main challenge could be on how the appropriate 'mustahaqq' (rightful receiver) could be identified and channelized into the system. A zakat product should bring the ZB into the folds of financial market and make him a participant. The investment should not be isolated from the mainstream financial activities or labeled as zakat instrument so as to avoid the stigma that can go with it. Can Islamic Mutual Funds be used as a vehicle to disburse the zakat funds to ZBs? Will the Salwa Fund get the same recognition as a normal Islamic mutual fund with the added advantage of financial inclusion of the ZBs into the financial markets and banking? There cannot be any conditions laid on the ZBs on how they will use the fund. ZBs would be the collective owners of the fund, created from zakat money, each year. They can use it any way they see fit. Successful zakat systems need to be under the

purview of appropriate regulatory organization and follow the rules of the Shari'ah Board.

### 4. Need for the Study

In a world with dynamic changes, turmoil, conflicts and challenges, it is imperative that we recognize our social and religious obligations to the fellow beings who are less advantaged than ourselves. In this regard, Islam has made a compelling obligation to all believers to pay zakat, the right of the poor, as declared by the Almighty. The Salwa Fund is an effort to meet such a need of the Islamic society and the world economy at large to include the poor into the financial folds of the society.

### 5. Objectives of the Model:

- a. Transparent and efficient disbursement of zakat to the rightful beneficiaries
- b. Need for converting zakat beneficiaries into zakat payers
- c. Enabling financial inclusion drive of World Bank for including the poor section of the society
- d. Supporting the corporate social responsibility and the religious objectives of the zakat payers
- e. Providing an integrated economic system for a commercially viable business model for the participants

### 6. Hypotheses of the Study

The objectives of the study can be listed, as the following alternate hypotheses.

**H-1:** Zakat product should enable the Zakat Payers (ZP) to meet his zakat obligation in an economically fair, reliable and convincing manner.

**H-2:** A zakat product should bring the ZB into the folds of financial market and make him a participant.

**H-3:** The investment should not be isolated from the mainstream financial activities or labeled as zakat instrument so as to avoid the stigma that can go with it

**H-4:** Successful zakat systems need to be under the purview of appropriate regulatory organization and follow the rules of the Shari'ah Board.

## **7. Methodology of the Study**

### **7.1. Sample Selection**

An online survey method was used, to collect data from the current and prospective zakat payers. A total of 125 respondents answered the survey, through the survey link, circulated via social media. The sample were randomly selected and the responses were obtained from citizens of four countries.

### **7.2. Period of the Study**

The survey was conducted during the month of July 2017.

### **7.3 Sources of Data**

Primary data were collected, to gauge the satisfaction with the existing method of zakat payment and the need among the zakat payers for an improved model.

### **7.4. Tools used in the Study**

Percentage analysis was done, to evaluate the need for the product and the desirable features of the proposed Salwa Model.

### **Components and parties of Salwa Fund:**

Following are parties and types of contracts, involved in SALWA fund.

#### **Wadia (A promise to perform):**

Salwa Fund will collect the zakat amount from the ZP in the form of a Wadia Contract, promising to disburse the zakat amount collected as per the

fund policy agreed. Since it is a promise to perform, the promisor is entitled to a fee (excluding zakat amount) to be paid by the promisee. It could be a percentage of the amount of zakat.

#### **Wakalah Agreement (Agency Contract):**

The Salwa Fund will enter into an agreement with the ZB (after the Salwa Units are distributed to him as zakat), to manage the Salwa Fund according to the Islamic investment criteria, set by the regulatory body. Under this agreement, the Salwa Fund would be allowed to form an investment fund and manage it as per the investment objectives laid down for the project for which it is formed. The ZB would be entitled to a monthly income and an ownership of the funds issued to him. The ZB can transfer the Salwa units in his ownership as he pleased. And when he does so, the agency rights and obligations would pass on to the next purchaser of the Salwa Units (Thus lending sustenance to the contract and the created fund).

#### **The Zakat Payers (ZP):**

The zakat payers are individuals and organizations on whom zakat is due. They are the source of the Salwa Fund and they hand over the zakat amount to the zakat fund, in exchange of a promise from the Salwa Fund managers, to disburse their zakat amount as per the regulations of the zakat fund. They get a verifiable receipt to document their zakat payment.

#### **Role of ZP:**

- a. Identifies the Salwa Fund he wants to hand over his zakat amount to.
- b. Pays his zakat to Salwa Fund Organization and takes authentic receipt which indicates the amount paid and information about the number of funds created from his zakat.

- c. May identify potential ZB and recommend it to the SF.
- d. May require guidance on the zakat calculation, obligation and disbursements.

**The Zakat Beneficiaries (ZB):** The zakat beneficiaries (mustahaq) are the rightful receivers of the zakat amount as per the Islamic ruling. SF is formed to distribute the zakat in the form of SUs to the ZB. Instead of receiving cash as zakat, the ZBs would receive the Salwa Cash and Salwa units from SF. The appropriate number of SUs would be credited to his fund account and a SC would be issued for operating the SUs in his ownership. Periodical earnings from the SF would be credited to his fund account which he can operate independently without restrictions.

**Role of ZB:**

- a. Respond to the invite of SFOs to register to the Salwa Fund.
- b. Take ownership of Salwa Cash Card and Salwa Fund Units by providing the required legal documents.
- c. Undertake to use the Salwa Funds (Cash and units) legitimately and cooperate with the SFO in monitoring his progress.
- d. Learn about the rights and obligations under the fund and be trained in appropriate Islamic personal finance skills
- e. Independent use of the Salwa Cash and Salwa Funds.
- f. Exit the fund either by sale in the secondary market or when the fund matures.

**The Salwa Fund (SF):**

Salwa Fund is the product created by the Salwa Fund Institutions, who are responsible Islamic financial institutions which would collect the zakat from the ZPs and undertake to disburse

them as per the model design. The main idea is to establish a pool of investment fund (SF), which would be professionally managed and invested in profitable avenue as per Shari'ah. The earnings are to be distributed to the holders of Salwa units systematically, for fees for management of funds as stipulated.

**Role of SF:**

- i. Plan the Salwa Fund and prepare a prospectus. Get the fund registered and cleared from the regulatory body according to Shari'ah.
- ii. Recruit ZPs and collect their zakat along with the fees for the information and disbursement of the zakat amount.
- iii. Recruit the ZBs as per the approved criteria, transfer appropriate Salwa Funds to each ZB. Transparency, authenticity and proper records to be maintained.
- iv. Disburse the zakat amount according to the Wadiah agreement with the ZP and invest it as per the Wakalah agreement with the ZB.
- v. Educate and train the ZBs on the various use of Salwa Fund and provide personalized advise on personal finance, ensuring the motivation of ZBs to overcome poverty and become independent and ultimately become ZPs as early as possible.
- vi. Issue Salwa Cash Card and the Zakat Unit ownership to the recruited and registered ZBs
- vii. Operate the investment fund like a normal Shari'ah compliant business, Investing in Purely Islamic Products
- viii. Facilitating the inclusion of ZBs in social welfare like education, Healthcare and medical facilities and assisting in housing or other needs by guiding them to the facilities available in the mainstream financial market

- ix. Make appropriate payment to SF holders during the tenure of the fund and Repay the fund amount at the end of the fund to the owners of the Salwa Units. (may not be the ZBs at all)

#### **The Salwa Units (SUs):**

The periodic zakat, collected by the fund, would be pooled into a SF and divided into units of specific denominations. These units would be distributed to the registered ZBs, in fulfillment of the Wadiah agreement with the ZP. The registered ZUs would be credited to ZBs SF account and the proportionate cash flows generated from these SFs would be credited to ZBs fund account periodically. The ZB can withdraw the income, using the SC. Guidance and advice should be provided to the ZBs, to enable the zakat amount, to be used by the ZB for immediate consumption and to save, invest and enhance his ability to earn a sustainable income.

#### **Role of SUs**

- a. Enables fair, transparent and equitable distribution of zakat to the ZBs.
- b. Assures ZB is provided with absolute ownership of the zakat amount and independence in using the same.
- c. Ensures monitoring and regulation of the trusted amount according to the investment policy of the fund and rules of the regulatory body
- d. Is instrumental in enabling the ZBs to participate in the financial market and have an opportunity to brighten his future.

#### **The Salwa Cash (SC):**

It is a debit card, which is issued to the ZB, to operate the SF account. It enables the ZB to withdraw the periodic earnings from the SF for his day to day need or even transact the SUs when there is a need for funds or an opportunity

to invest in better avenues, use for substantial life need like health, education or home.

#### **Role of SC**

- a. It provides liquidity in the hands of the ZB and enables him to use the normal debit card in his day to day activities.
- b. A way to access his earnings from the SUs owned
- c. An instrument to claim the ownership of the SUs received in Zakat. Transact the same in the open market
- d. SC is the means through which a ZB who was financially excluded, would participate in the financial market and sustain his participation
- e. SC could be a means of ensuring that a deserving ZB in one year would move on to be an independent Muslim, not needing to request zakat again ever.
- f. SC could be a means to save, invest and manage his personal finance by the ZB.

#### **Illustration of Feasibility**

The model is very simple to understand and in its simplicity lies its strength. The main idea is that each year when the ZPs have handed over their zakat to the SF, a pool of funds is formed and invested in profitable, Shari'ah compliant avenues in the form of a managed investment. The SF would work and operate just like any Islamic Mutual Fund (IMF) and be governed by the same regulations that govern all successful funds in the contemporary markets. Thus the feasibility of the funds and the income it generates, would be the same for all IMFs. However, the feasibility of how the Salwa fund would be distributed and justifiable income source generated for the ZB needs some consideration. **Table-1** presents scenario analysis which may explain this logically.



## 8. Data Analysis

If \$1,000,000 Salwa Fund is created, then the Table shows the number of ZBs that can be served so as to receive a monthly income of \$200 on the Salwa Cash Card. The case is explained with various rates of returns ranging from the least case of 7% to the best case of 30%. Islamic Funds, on an average, have generated anywhere between 11.37% - 15% on balanced funds. Thus the estimates may be considered conservative.

In the above scenarios at 7% returns, 29 ZBs could be serviced. This is indeed an attractive number. Each of these ZBs would be allocated 34 SUs into their SF accounts and monthly earnings of \$200 could be withdrawn by each one of them. This seems a fair sum, considering that the ZB could live beyond the poverty line, with source of regular income just by holding on to this unit. The global poverty line is \$1.90 per day in 2015-16. Over 700 million people globally live under this line. (World Bank). Besides, they are also given ownership of \$34,000 worth of SUs, which is at their disposal and they can improve their living standard for a long time and meet the pressing need which may be an obstacle for progress in their lives. They could use it to establish themselves or their family by taking up entrepreneurial enterprise or keep it as an investment that could grow or be a source of income in future.

“Give them Zakat so as to make them able” (Quran). In addition, the objective of Salwa Fund is to enable the ZBs to sustain a decent livelihood and be included in the financial markets. The ultimate aim is to make the ZBs into ZPs.

Pooling \$1,000,000 in SF would not be a huge burden for the ZPs and SFs as they are existing financial institution, with high clientele,

probably with a need for such zakat fund. All eligible Muslims are obligated to pay their zakat and the SF should aim at attracting small and big zakat payers to pay their zakat through them. From **Table-2**, it can be noted that the SF may need to recruit a maximum of 2,500 ZPs, with small zakat contribution of \$400 or only 500 ZPs of medium contribution of \$2,000. It should be noted that institutional ZPs would be more contributing than individuals and a mix of the two should be planned for a successful Salwa Fund creation.

### Need Analysis

Before conceptualizing the Salwa Fund, the study had also conducted a pilot study to gauge the experiences of zakat payers and whether they see a need for such a product as the Salwa Fund. A structured questionnaire was administered to respondents through a web link. 78 responses were collected from zakat payers, located in Saudi Arabia, Pakistan, India, and Germany. In order to analyze how people paid zakat and whether they were happy with disbursement method, the results are shown in **Table-3**. Results in **Table-3** show that all those people, who used banks for disbursement of zakat, were not happy with it and those who used government or Baitulmal services, were also not happy. 50% of respondents, using Baitulmal, were found to be not happy. Those people, who used agents, elders' services or personally dispersed the zakat were found to be happy about the Salwa Fund.

In order to check whether those people who were happy with disbursement method, would they be still interested in such an organization and its product, a study was conducted. Results of the study, in **Table-4**, shown indicated that even those people, who were happy from their zakat disbursement

method i.e. family elders/ groups, personally and through agents, were also willing to have such an organization. Finally, it was asked that whether they would handover their money to such an organization, which have a product to help zakat beneficiary to overcome their need not for present but also for future and results are presented in **Table-5**. Results in **Table-5** show that even those people, who were satisfied with their disbursement method, were also willing to participate in activities and product of such a regulated Islamic organization which will help them in improving the life of zakat beneficiaries and making them zakat payers in course of time.

**Table-6** has summarized the features of Salwa Fund from respondents. Respondents were asked to rate the importance of each mentioned feature of Salwa Fund, from a scale of 1 to 5, where 1 means not important and 5 means very much important. In order to get input on any feature. From respondents an open ended question was also asked, stating that any other feature required. Results in **Table-6** show that none of the mentioned features received negative response, which means that majority of respondents wanted all the mentioned features. In analyzing open ended question, only one extra feature was mentioned regarding marriage expense of needy people. The pilot study indicated a driving need for products like Salwa Fund.

## 9. Findings of the Study

Summing up, pilot study revealed that those respondents, who were using banks and Baitulmal for zakat, were not happy with the disbursement method as they did not have any idea where their zakat was going. It was also found that along with those unsatisfied zakat payers, those zakat payers, who were satisfied with their disbursement method i.e disbursing

zakat through family elders/ groups, personally and through agents, were also interested in such an organization and its product, which will help people in disbursement of zakat in a transparent way. They had also shown their willingness to participate in activities and product of such a regulated Islamic organization which will help them in improving the life of zakat beneficiaries and making them zakat payers over a period of time. Finally, all the respondents significantly agreed that they wanted the features in Salwa Fund as presented.

## 10. Suggestions

Salwa Fund is not a revenue generating scheme. It is aimed at appropriate disbursement of zakat, according to Shari'ah compliance. In the performance of this obligation, the Salwa Fund is allowed to collect the disbursement fees from the Zakat Payers and the fund management fee from the Zakat Beneficiaries. In addition to this, they are encouraged to generate more than the minimum profits on the invested and managed fund and invest the same on the education of both Zakat Payers and Zakat Beneficiaries, provide guidance and advise to the Zakat Beneficiaries on personal finance and also take part in other social welfare activities and investment. The launching of Salwa Fund would thus suit large financial institutions and Islamic organizations, who want to meet their corporate social responsibility. Transparency in the formation and performance of the fund is the key to success of this model. The main assumption is that the fund would be initiated with purely the objectives stated for the product and it is being regulated by Shari'ah Boards.

## 11. Conclusion

Salwa fund is a unique Islamic product, based on zakat, which includes transparent and efficient disbursement of zakat to the rightful

beneficiaries, converting zakat beneficiaries into zakat payers, supporting the corporate social responsibility and the religious objectives of the zakat payers and providing an integrated economic system for a commercially viable business model for the participants. Salwa Fund is an ethical model, which would be according to Shari'ah and benefit the poor and destitute, who are the responsibilities of all individual Muslims in a healthy Islamic Society. For the Zakat Payers, it is a viable means to purify his wealth as per his religious obligation. For the zakat beneficiaries, it is a means to earn 'halal' (permitted) earnings and hope for sustenance and enhancement of living standard in a meaningful way. It would prevent many social exploitations and harassments that these poor Muslims face when left without support and guidance. It would pave the way to educate them meaningfully and channelize them healthily into the mainstream financial markets, make them self-confident and eligible for a fruitful career. It would save Muslims from the shame of dealing with 'riba' (usury) and lead a respectful life. They could become 'Rabbul Maal' (owner of wealth) and soon be one of the Zakat payers to uplift others. The product encourages righteous behavior from all concerned.

## 12. Limitations of the Study

This study used a structured questionnaire which was administered to respondents, through a web link and only 78 responses were collected, from zakat payers located in Saudi Arabia, Pakistan, India, and Germany. The period of this study was one month only.

## 13. Scope for Further Research

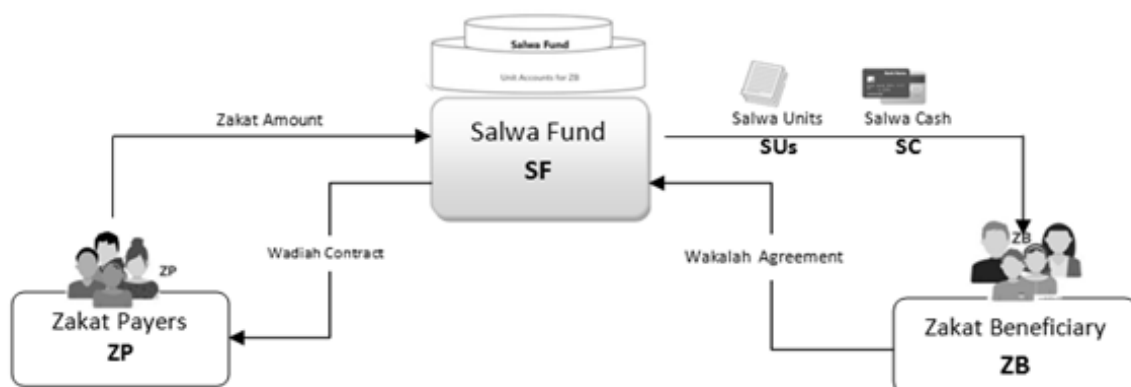
Further study can be conducted about the products in different tenure, employing Salwa Fund, in the rest of Islamic countries.

## 14. References

- Abdul Quddus, S. (2009).** Contribution of zakat in the social development of Pakistan. *Pakistan Journal of Social Sciences*, 29(2), 313-334.
- Abdullah, R. (2010).** Zakat management in Brunei Darussalam: A case study, 7th International Conference – The Tawhidi Epistemology: Zakat and Waqf Economy. Bangi, Selangor.
- Ahmad, F.O. (2009).** Zakat funds and wealth creation. *Review of Islamic Economics*, 13(1), 143–154.
- Ak Md Hasnol Alwee Pg Md Salleh , (2015),** Integrating financial inclusion and saving motives into institutional zakat practices, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 8 Iss 2, 150-170
- Ataina, H. & Achmad, T. (2010).** Management of zakah: Centralized Vs decentralized approach, 7th International Conference – The Tawhidi Epistemology: Zakat and Waqf Economy. Bangi, Selangor.
- Azman, A.R., Mohamad, A. & Syed Mohd Najib, S.O. (2012).** Zakat institution in Malaysia: Problems and issues, *Global Journal Al- Thaqaiah*, 2(1), 35-41.
- Hafidhuddin, Didin & Irfan Sy. Beik, (2010).** Zakat Development: The Indonesia's Experience. *Jurnal Ekonomi Islam*.1.(1),5-9.
- Hairunizam Wahid, Sanep Ahmad, Radiah Abdul Kader (2011),** Localization of Zakat Distribution and the Role of Mosque: Perceptions of Amil and Zakat Recipients in Malaysia. *International Zakat Forum* 2011.
- Jamaliah Said, Erlane K, Ghani, Siti Noorhayati Zawawi, Sharifah Norzehan Syed Yusof. (2012).** Composite Performance for Zakat Organizations. *British Journal of Economics, Finance and Management Sciences*, 4(1), 50-59.

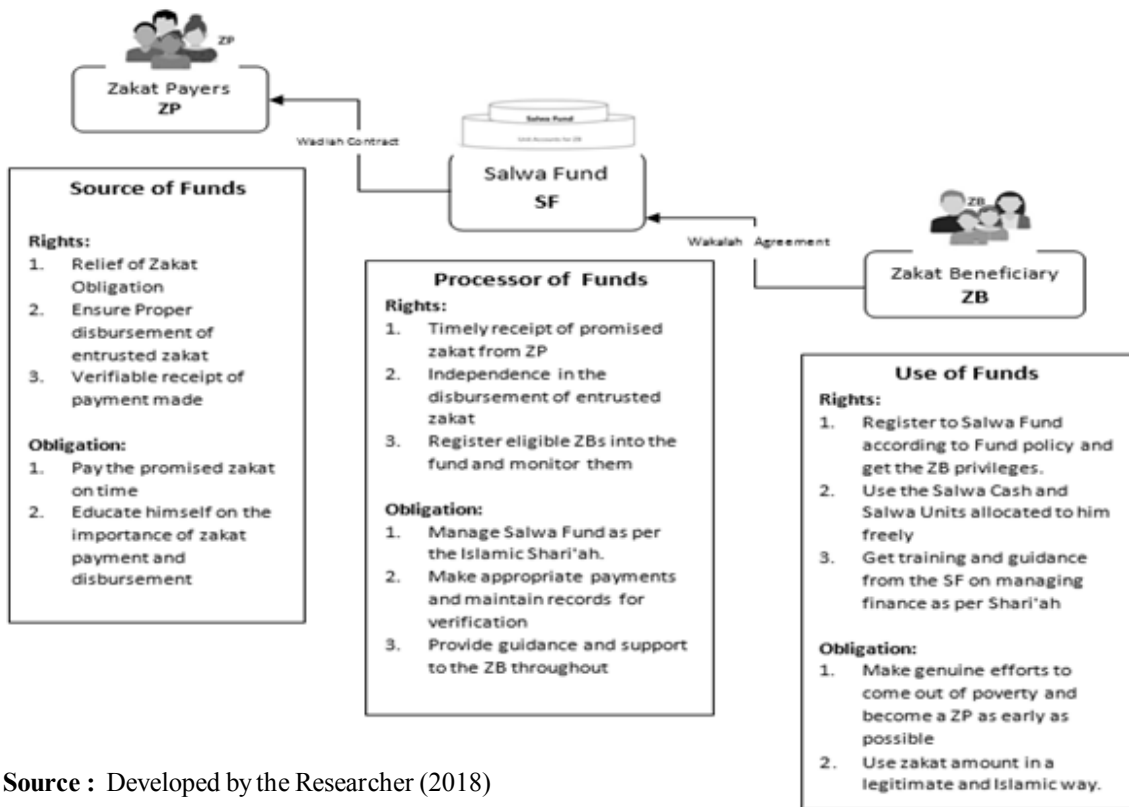
- Kempson, E. and Whyley, C. (1999).** Kept Out Or Opted Out? Understanding and Combating Financial Exclusion, Policy Press, Bristol.
- Mahyuddin, A. B. & Abdullah A.G. (2011).** Towards achieving the quality of life in the management of zakat distribution to the rightful recipients (the poor and needy). *International Journal of Business and Social Science*, 2(4), 237-245.
- Mutiara, D. S., Zakaria, B. & Zahri, H. (2013).** Review on Indonesian zakah management and obstacles. *Social Sciences*, 2(2), 76-89.
- Najib, M. (2008).** Landasan Filosofi Investasi dalam Islam, Bab 1 Buku Investasi Syariah: Implementasi Konsep pada Kenyataan Empirik. Kreasi Wacana Yogyakarta. Yogyakarta.
- Norazlina, A.W. & Abdul Rahim, A. R. (2011).** A framework to analyze the efficiency and governance of zakat institutions. *Journal of Islamic Accounting and Business Research*, 2(1), 43-62.
- Nurbani, M. H., Abd. Halim, M. N., & Noor Ashikin, M. R. (2012).** Microfinance: Proposed collaboration between zakat institution and microfinance Institutions. 3rd International Conference on Business and Economic. Bandung, Indonesia.
- Oran, A. F. (2009).** Zakat Funds and Wealth Creation. *Review of Islamic Economics*, Vol. 13, No. 1, 2009, pp. 143–154. International association for islamic economics
- Raja Adzrin Raja Ahmada, Ahmad Marzuki Amiruddin Othmanb, Muhammad Sufiyudin Sallehb (2015).** Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management. *Procedia Economics and Finance* 31 ,140 – 151
- Ram Al Jaffri, S., Zainol, B., Kamil, M. I., & Md Hairi, M. H. (2010).** Factors that influenced the business zakah compliance behavior. *Jurnal Pengurusan*, 30.
- Sadeq, A.M. (1997).** Poverty alleviation: an Islamic perspective, *Humanomics*, 13 (3), 110-134.
- Sapar, A.H.A.W.H. (2010).** Pengelolaan Zakat Di Negara Brunei Darussalam, Darussalam, Negara.
- Sarif, Suhaili & Nor ‘Azzah Kamri, (2009).** A Theoretical Discussion of Zakat For Income Generation And Its Fiqh Issues. *Shariah Journal*, 17, 3, 457-500.
- World Bank (2008).** Finance for All? Policies and Pitfalls in Expanding Access. World Bank Policy Research Report, World Bank, Washington, DC.
- Yumna, A. & Clarke, M. (2011).** Integrating zakat and Islamic charities with microfinance initiative in the purpose of poverty alleviation in Indonesia, 8th International Conference on Islamic Economics and Finance. Doha, Qatar.

**Figure - 1: Salwa Fund Working**



Source : Developed by the Researcher (2018)

**Figure-2: Rights and Obligations of the parties**



Source : Developed by the Researcher (2018)

**Table - 1: Scenario Analysis for Salwa Fund**

Scenario Analysis for a Salwa Fund of \$1,000,000 divided as 1,000 Salwa units of \$1,000 each						
	7% returns	10% returns	15% returns	20% returns	25% returns	30% returns
Annual return (AR)	\$70,000	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000
AR per unit	\$ 70	\$100	\$ 150	\$ 200	\$ 250	\$300
Monthly return per unit	\$ 5.83	\$ 8.33	\$ 12.50	\$16.67	\$ 20.83	\$25.00
<b>Number of units for \$200 monthly income</b>	<b>34</b>	<b>24</b>	<b>16</b>	<b>12</b>	<b>10</b>	<b>8</b>
Value of fund	\$34,286	\$24,000	\$16,000	12,000	\$ 9,600	\$8,000
<b>Number of ZBs funded</b>	<b>29.17 = 29</b>	<b>41.67 = 42</b>	<b>62.50 = 63</b>	<b>83.33 = 83</b>	<b>104.17 =104</b>	<b>125.00 =125</b>

Source: Primary Data

**Table - 2 Required Zakat Payments**

Fund Amount	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Zakat per ZP	\$ 400	\$ 500	\$ 1,000	\$ 1,500	\$ 2,000
No of ZPs	2,500	2,000	1,000	667	500

Source: Primary Data

**Table-3: Zakat Disbursement Method and Satisfaction Level of Zakat Payer**

Method of disbursement and satisfaction with this method			
How do you disperse the zakat amount?	Are you happy with the payment method?		Total
	No	Yes	
Banks	100%	-	100%
Family elders/groups	7.1%	92.9%	100%
Government (Baithul Mal)	50%	50%	100%
Personally	3.4%	96.6%	100%
Through agents/ organizations	10%	90%	100%

Source: Primary Data

**Table-4 : Zakat Disbursement Method and Willingness for a New Organization**

Zakat Disbursement method and willingness for a new organization which could enable zakat beneficiaries to participate in the main stream					
How do you disperse the zakat amount?	Do you feel there is a need of such an organization which could enable zakat beneficiaries to participate in the main stream				
	Not Willing	Neutral	Somewhat Willing	Very Willing	Total
Banks	0	0	0	100.0%	100.0%
Family elders/groups	0	14.3%	32.1%	53.6%	100.0%
Government (Baithul Mal)	0	0	0	100.0%	100.0%
Personally	0	17.2%	41.4%	41.4%	100.0%
Through agents/ organizations	10%	40.0%	30.0%	20.0%	100.0%

Source: Primary Data

**Table - 5 : Willingness to Participate and Hand over Zakat Amount to such a Regulated Islamic Organization**

Zakat Disbursement Method	Not at all Willing	Not so Willing	Neutral	Somewhat Willing	Very Willing	Total
Banks	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Family elders/groups	3.6%	7.1%	21.4%	28.6%	39.3%	100.0%
Government (Baithul Mal)	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Personally	3.4%	6.9%	17.2%	37.9%	34.5%	100.0%
Through agents/ organizations	0.0%	10.0%	10.0%	30.0%	50.0%	100.0%

Source: Primary Data

**Table - 6 : Features of Salwa Fund**

Features	1 not important	2	3	4	5 very much important	Total
Transparency in collection and disbursement of funds	5.6	7.0	16.9	18.3	52.1	100%
Dealing in purely Islamic investments and products	1.4	7.0	9.9	22.5	59.2	100%
Training/ educating the beneficiary to be employable	5.6	2.8	4.2	21.1	66.2	100%
Supporting the beneficiary to earn for himself	0	4.2	2.8	26.8	66.2	100%
Providing the beneficiary with a right balance between meeting immediate needs and preparing for the future	0	5.6	2.8	26.8	64.8	100%
Enabling beneficiary to own a bank account and operate it normally	8.5	4.2	16.9	31.0	39.4	100%
Educational and Training support for beneficiary dependents	2.8	1.4	11.3	28.2	56.3	100%
Healthcare and medical facilities or means to achieve them	1.4	4.2	11.3	26.8	56.3	100%
Housing and shelter for the destitute	0	1.4	11.3	26.8	60.6	100%
Enable the beneficiary to invest Islamically and ensure future income	2.8	4.2	7.0	31.0	54.9	100%

Source: Primary Data