

COMPREHENSIVE REVIEW OF ZAKAT ACCOUNTING SYSTEM IN
AFGHANISTAN, ITS CHALLENGES AND SOLUTION IN THE
LIGHT OF SHARIA

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Dedication

This dissertation is dedicated to my beloved family, whose unwavering support and encouragement has been the cornerstone of my academic journey. Your sacrifices and belief in my potential have inspired me to pursue my goals with determination and resilience. I am profoundly grateful for the love and guidance you have provided me throughout this endeavor.

Moreover, I wish to dedicate this work to the courageous girls of Afghanistan, who, despite facing overwhelming obstacles, continue to dream of education and empowerment. Your strength in the face of adversity serves as a powerful reminder of the importance of education as a fundamental human right. This dissertation stands as a testament to your resilience and an acknowledgment of the barriers you confront daily in your pursuit of knowledge and opportunity.

May this work contribute, even in a small way, to the global dialogue surrounding education and gender equality, and may it inspire action towards a future where every girl, regardless of her circumstances, has the opportunity to learn, grow, and thrive. Your dreams are not forgotten; they light the path for those of us who have the privilege to pursue our aspirations.

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I would like to express my deepest gratitude to all those who have supported me throughout the journey of completing this doctoral dissertation on the Zakat system in Afghanistan. This work represents not only a culmination of my academic pursuits but also the intersection of my professional experiences in economics and accounting with my religious obligations.

First and foremost, I would like to extend my heartfelt thanks to Dr. Gustav Lindéus, my esteemed supervisor at the Swiss School of Business and Management. Your guidance, encouragement, and insightful feedback have been instrumental in shaping the direction of my research. Your ability to inspire critical thought and your unwavering support have not only enriched my academic experience but have also motivated me to delve deeper into the intricacies of Zakat accounting. I am profoundly grateful for your mentorship throughout this dissertation process.

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This dissertation stands as a testament to the collective support and guidance I have received from all of you. It is my hope that the findings and recommendations presented in this work will contribute meaningfully to the discourse on Zakat accounting in Afghanistan and pave the way for improved practices that align with Sharia principles. Thank you all for being an integral part of this journey.

ABSTRACT

COMPREHENSIVE REVIEW OF ZAKAT ACCOUNTING SYSTEM IN
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2024

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This dissertation provided a comprehensive review of the Zakat accounting system in Afghanistan, examining its practices, challenges, and potential solutions within the framework of Sharia law. Zakat, one of the Five Pillars of Islam, plays a crucial role in promoting wealth equity and addressing poverty. However, the implementation of an effective Zakat system in Afghanistan faced numerous obstacles, including a lack of standardized accounting practices, inadequate regulatory frameworks, and socio-economic instability.

After diving into a bunch of research and doing some qualitative analysis, this study found some major issues like messy Zakat collection and distribution, corruption, and people just not knowing enough about it. It also looked into how these problems affect Zakat's ability to tackle poverty and push for social justice.

In light of Sharia principles, the dissertation proposed several solutions to enhance the Zakat accounting system in Afghanistan. These included the establishment of a centralized Zakat authority, the adoption of standardized accounting practices, and the

implementation of transparent and accountable mechanisms for Zakat collection and distribution. The study also stressed how crucial it is to get the community involved and educated so people feel more confident and on board with the Zakat system.

This research really adds to the conversation about Islamic finance and social welfare, giving some solid suggestions for policymakers, religious leaders, and financial institutions on how to make Zakat work better in Afghanistan. What we learned from this study not only sheds light on how Zakat fits into Afghanistan's economy but also points out the changes needed to improve the Zakat accounting system so it can actually help people in the community who need it most. Through these efforts, the dissertation aimed to foster a more equitable and just society, aligned with the ethical imperatives of Islamic finance.

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CHAPTER I: INTRODUCTION

Islam is more than a religion because it provides a complete code that applies to all fields of human existence. The Qur'an came with the message of Islam, covering everything and organizing all aspects of religion and life for the individual and society.

This chapter aims to provide detailed explanations of the Islamic economics principle and Briefing background of Afghanistan.

After this section research problem and purpose of research will discuss. After this section, the study will expand the significance of the study and research purpose and questions will discuss and at the end of this chapter will discuss about the outline of the theses.

1.1 Principle of Islamic Economic

It is a comprehensive guide that outlines the principles and values that believers should adhere to in their daily lives.

One of the key aspects that Islam regulates is the relationship between individuals and Allah Almighty. Muslims are taught that their primary purpose in life is to worship and submit to the will of Allah. This involves adhering to the five fundamental principles of Islam: proclaiming the faith, participating in prayer, donating to those in need, observing fasting in Ramadan, and undertaking a pilgrimage to Mecca.

Islam places great importance on fostering harmonious relationships among individuals. The teachings found in the Qur'an and Hadith underscore this principle. Islam is not merely a religion; it represents a holistic approach to life that encompasses

both spiritual and secular dimensions. It comprises a comprehensive framework of beliefs and practices, an extensive legal system, a rich cultural heritage, guidelines for social and familial interactions, and regulations governing economic and commercial activities (Nur et al., 2022).

The religious ideals of Islam serve as a guiding force that maintains the social order of the people. Hence, it is important to understand that Islam is not just limited to a mere set of rituals but encompasses every aspect of a person's life. The principles of Islam establish a robust framework for Islamic law, which governs every aspect of a Muslim's life (Hameed and Muhamad, 2021).

A core tenet of Islam is the belief that it constitutes a comprehensive code of life. This perspective holds that Muslims are required to adhere to the principles and values of Islam in every facet of their lives (Amin et al., 2022). This includes their personal, social, and political spheres. Muslims are encouraged to live under the umbrella of Islamic ideology and promote a values-oriented society (Amin et al., 2022).

The Islamic economic system incorporates several mechanisms designed to address income inequalities at their core. These include the implementation of zakat, sadagat, and other similar contributions. While voluntary payments are encouraged in Islam, it is crucial to highlight that zakat constitutes a religious obligation for affluent Muslims who must adhere to specific guidelines when fulfilling this duty. In essence, Islam emphasizes the importance of tackling inequality at its source rather than merely alleviating its symptoms (Hakim, 2021).

Through the relentless efforts of Muslim scholars, a comprehensive framework of circumstantial rules has been established to ensure the appropriate implementation and equitable distribution of zakat across various properties. However, in light of today's dynamic economic landscape, new practical challenges have surfaced that require careful attention. These include matters pertaining to organization, regulation, collection and allocation methods for zakat in order to effectively adapt it to the contemporary context (Hamzah and Zainal, 2022).

An essential aspect that warrants extensive investigation is the review of zakat, as it lies at the heart of this study. The primary objective is to establish a comprehensive framework that will pave the way for developing fundamental principles applicable to zakat within Afghanistan's financial system. Furthermore, delving into this subject necessitates exploring interrelated matters encompassing religious, economic, and managerial dimensions. It is worth noting that Islamic countries are currently experiencing what can be described as an Islamic revival movement. This movement serves as a catalyst for Muslims seeking to reconnect with their distinct identity and religious values in a world marked by globalization and changing dynamics (Hakim, 2021).

Moreover, recent shifts in the global commercial landscape have brought about substantial economic hardships for several Islamic economies. These transformations, coupled with ongoing worldwide economic crises, have prompted governments to reevaluate and adapt their economic structures to better navigate these circumstances (Abd Wahab et al., 2023). In light of this, Afghanistan is presented with a unique

opportunity to formulate strategies that address these emerging challenges. A crucial component of such policies involves unifying and harmonizing the zakat system within the country.

1.2 Briefing Background to Afghanistan:

Afghanistan, a nation of profound geopolitical significance, is strategically positioned at the intersection of South Asia and Central Asia. This unique location allows it to function as a vital land bridge, connecting not only these two dynamic regions but also extending its influence towards Europe. As a landlocked country, Afghanistan's geographical positioning enhances its role as a critical connector among nations, facilitating trade, cultural exchanges, and political interactions. It shares its borders with several countries: to the north, it meets Tajikistan, Uzbekistan, and Turkmenistan; to the west, it borders Iran; to the south and east, it is adjacent to Pakistan; and in the northeast, it shares a frontier with China (Economy, 2021). This extensive network of borders not only underscores Afghanistan's strategic importance but also highlights its potential as a hub for regional cooperation and development.

The official designation of the country is the Islamic Republic of Afghanistan, with its vibrant capital situated in Kabul. Afghanistan encompasses a total of 34 provinces, each contributing to the rich tapestry of its cultural, ethnic, and historical diversity. The nation is renowned for its stunning natural landscapes, which include sweeping valleys, majestic snow-capped mountain peaks, and a wide array of geographical features that collectively create an environment of breathtaking beauty. This remarkable diversity in

topography is matched only by the richness of its cultural heritage, which is shaped by the multitude of peoples who call Afghanistan home (Economy, 2021).

Among its major commercial cities, Kabul stands out as not only the political and administrative heart of the nation but also a vibrant center of commerce and culture. Other key cities include Herat, known for its historical significance; Nangarhar, a region rich in agriculture; Balkh, one of the oldest cities in the world; Kandahar, a city steeped in tradition; Helmand, famous for its opium production; and Kunduz, an important trade and transportation hub. Collectively, these urban centers play a crucial role in the economic landscape of Afghanistan.

Covering an area of approximately 652,000 square kilometers (252,000 square miles), Afghanistan ranks as the 41st largest country in the world (Economy, 2021). This expansive territory is not only significant in terms of geography but also holds immense potential for economic development, tourism, and biodiversity. The interplay of its natural wonders and cultural richness makes Afghanistan one of the most captivating places on the planet, despite the challenges it faces. Its strategic location and diverse landscapes continue to draw the attention of scholars, policymakers, and international organizations, all of whom recognize the need to engage with Afghanistan on various academic and practical fronts..

Afghanistan experiences distinct seasons throughout the year. It is characterized by cold winters and hot, dry summers. The country enjoys plenty of sunshine and longer days from mid-April to late October, which creates favorable conditions for various business activities such as farming, tourism, sports, construction, and more..

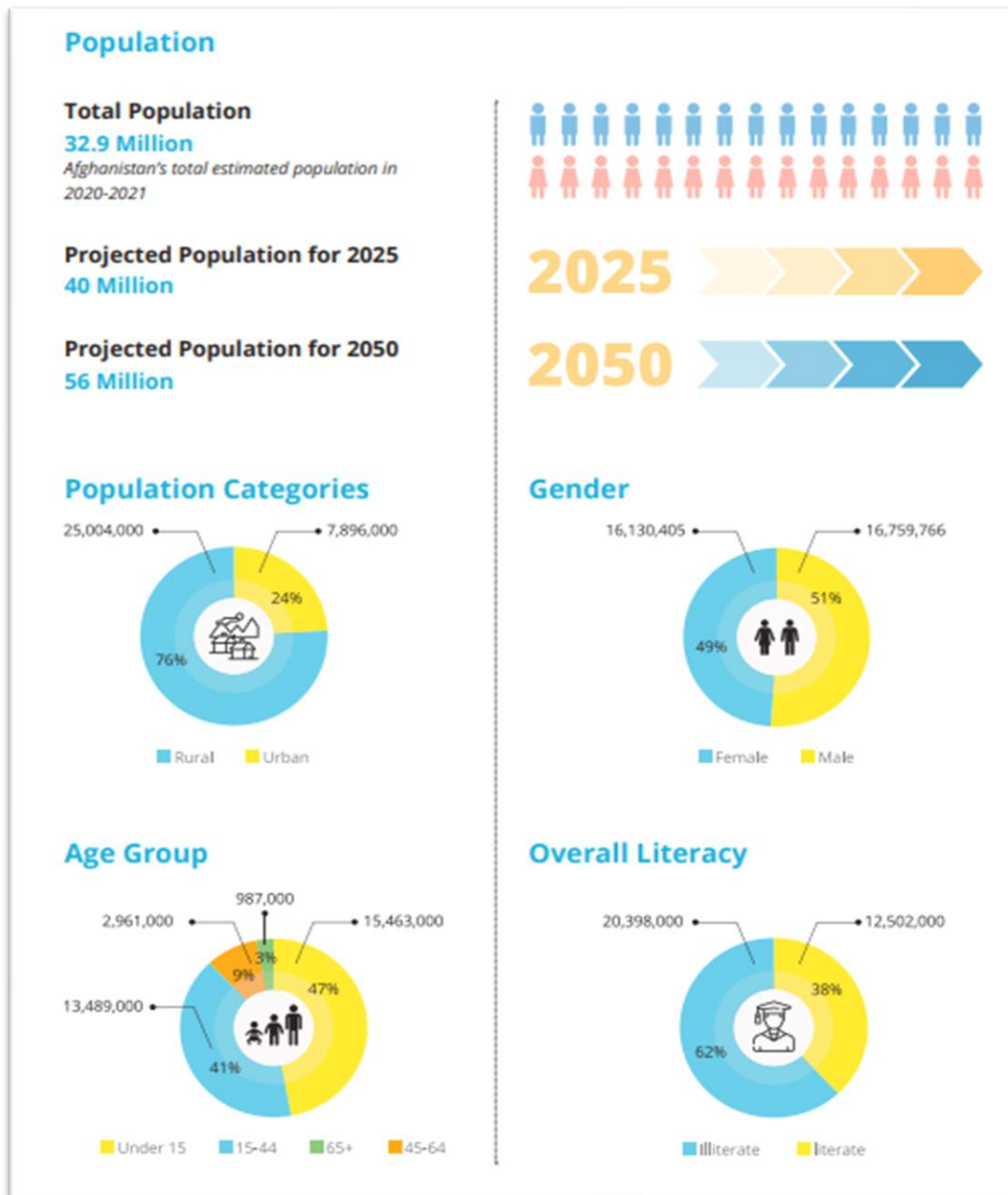


Figure 1. Estimated Population of Afghanistan.

Source: NSIA (2021).

Over the past two decades, Afghanistan has witnessed a remarkable and steady increase in its economy, with growth observed across various sectors each year. This positive trend is documented in a report published by the World Bank, which illustrates

the substantial progress made by the nation. Notably, Afghanistan's Gross Domestic Product (GDP) experienced a significant rise, escalating from a modest \$4 billion in 2002 to an impressive \$19 billion by 2019. This dramatic increase reflects a staggering growth rate of approximately 38% over the span of 18 years, which translates to an average annual GDP growth rate of about 2.1% (Economy, 2021).

In 2019, the economy saw a particularly robust growth rate of 3.9%, largely attributed to the government's strong emphasis on enhancing agricultural production. Agriculture plays a pivotal role in Afghanistan's economy, serving as the primary source of employment for more than 75% of the population. Additionally, it constitutes nearly a quarter of the nation's GDP. This sector not only provides livelihoods for millions but also forms the backbone of the country's economic framework.

The National Infrastructure Plan (NIP) for Afghanistan, covering the years from 2017 to 2021, outlines the anticipated growth prospects for the economy, which are predominantly centered on the agriculture and mining sectors. These areas are viewed as key drivers of economic development, and their expansion is expected to necessitate substantial investments from the private sector. The NIP underscores a strategic vision aimed at harnessing the potential of these fundamental sectors to foster sustainable economic growth and improve living standards for the Afghan populace.

Overall, while challenges remain, the economic trajectory of Afghanistan over the last two decades has been one of gradual improvement, with agriculture at its core,

highlighting the resilience and potential of the nation's economy in the face of adversity.

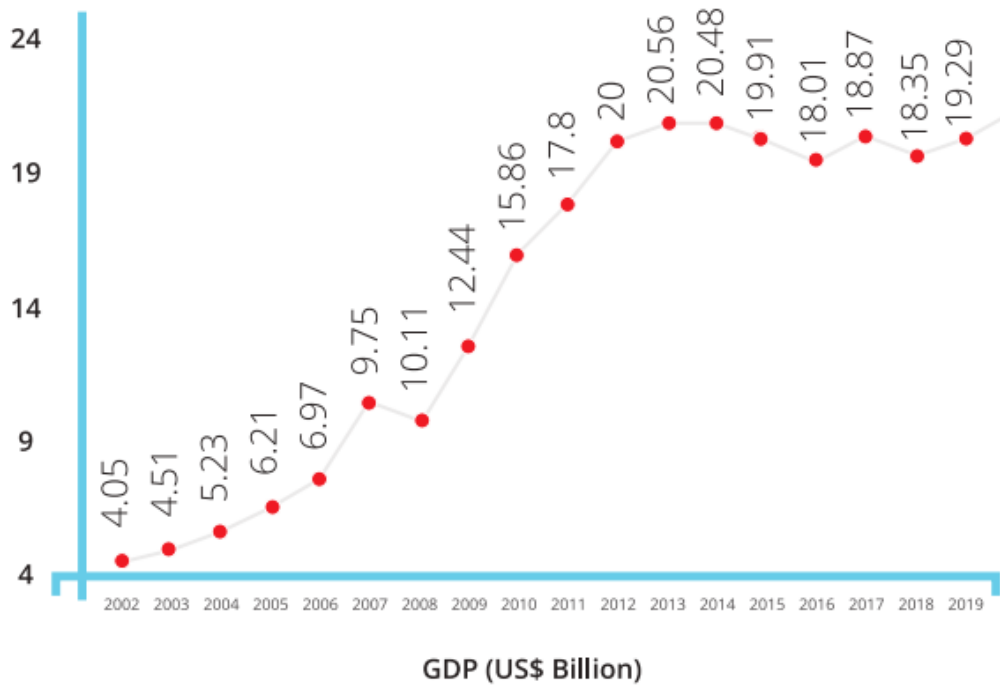


Figure 2. Afghanistan GDP from 2002 up to 2019

Source: NSIA (2021).

GDP (official exchange rate)	\$19.10 billion
GDP - Real growth rate	3.9%
GDP - per capita	\$502
Main Agricultural products	Wheat, rice, barley, fruits, nuts, wool, mutton, sheepskins, lambskins, saffron
Main Industries	Small to medium-scale production of steel, carpets, bricks, textiles, soap, furniture, shoes, fertilizer, apparel, food products, non-alcoholic beverages, mineral water, cement, handwoven carpets, natural gas, coal, copper
Labor Force	14.4 million
Unemployment Rate	23.9%
Exports	\$1.48 billion
Main Export Commodities	Fruits and nuts, handwoven carpets, wool, saffron, cotton, hides and pelts, precious and semi-precious gems, and medicinal herbs
Imports	\$7.23 billion
Main Import Commodities	Machinery and other capital goods, food, textiles, petroleum products, cooking oil, sugar, tea

Figure 3. Afghanistan Economic Snapshot Year 2019

Source: IIA (2021).

Afghanistan, officially known as the Islamic Republic of Afghanistan, is a landlocked country located in South Asia (Economy, 2021). It shares borders with Pakistan, Tajikistan, Uzbekistan, Turkmenistan, Iran, and China. With a rich history dating back thousands of years, Afghanistan has been a crossroads of civilizations and a melting pot of cultures (Salim et al., 2019).

In recent decades, Afghanistan has faced various challenges, including political instability, armed conflict, and economic struggles. The country has been marred by decades of war and has experienced significant social and economic upheaval as a result. However, despite these challenges, Afghanistan has shown resilience and determination in its pursuit of stability, peace, and development.

Afghanistan has a diverse and multicultural society, with various ethnic groups living within its borders. The major ethnic groups include Pashtuns, Tajiks, Hazaras, Uzbeks, and Aimaks. Each group has its own distinct language, traditions, and customs, adding to the country's cultural richness (Salim et al., 2019).

The country's geography is characterized by rugged mountain ranges, vast deserts, and fertile river valleys. The Hindu Kush mountain range dominates the landscape, with some peaks reaching heights of over 7,000 meters. The Amu Darya and Helmand rivers are among the major water bodies that flow through Afghanistan, providing essential resources for agricultural activities (Qutbudin et al., 2019).

Afghanistan's history is marked by periods of great prosperity and cultural achievements, as well as periods of conflict and instability. The country has been influenced by various empires and kingdoms, including the Maurya Empire, the Persian Achaemenid Empire, the Islamic Caliphate, the Mongol Empire, and the Mughal Empire. These influences have shaped Afghanistan's unique blend of cultural traditions and architectural styles (Taj, 2022).

Afghanistan is a culturally rich and dynamic country, but its social, political, and geographical complexities have posed challenges for governance. Afghanistan's history has been marked by the creation of governing bodies with dual organizations, highlighting the difficulty in establishing effective governance structures. Additionally, Afghanistan is a low-income country that has been engulfed in war for several decades (Rahimi et al. 2022). As a result, the country confronts significant challenges, including increasing poverty, ongoing political instability, and a devastated health infrastructure.

These challenges have had a profound impact on Afghanistan's economic, political, and social structures, leading to the distortion of the nation's overall stability. Furthermore, the conflicts between various political actors in Afghanistan have greatly contributed to social and economic instability. This instability has hindered Afghanistan's integration into the global political and economic system. Moreover, the tumultuous socio-political environment in Afghanistan has led to the reemergence of poppy farming in certain regions, particularly in the southern and eastern parts of the country. Afghanistan's complex social, political, and geographical landscape has made governance a difficult task for successive governments. The multifaceted nature of Afghanistan's cultural, social, and political dynamics has created immense diversity within the country. This diversity has made it challenging for governments to effectively govern and maintain stability. Source: Barfield, Thomas. Afghanistan is a country with a rich cultural heritage, but its social, political, and geographical complexities have made governance a challenging task for various governments over the years.

Afghanistan's complex socio-political environment, coupled with its geographic diversity, has proven to be a formidable challenge for effective governance. This has resulted in a turbulent socio-political environment, marked by social and economic instability. The inability to establish a robust governance structure has hindered Afghanistan's integration into the global political and economic system (Urinboyev, 2011).

Islam is the predominant religion in Afghanistan, with over 99% of the population being Muslim (Ye, 2018). It really helps shape the country's vibe when it comes to social

stuff, culture, and politics. Afghanistan's long history of conquests and invasions has contributed to its rich tapestry of ethnic groups and cultures (Ye, 2018). These diverse groups have influenced the practice of Islam in Afghanistan, resulting in various interpretations and traditions within the religion. Afghanistan's Islamic identity has been shaped by its history of conquests and invasions, which have led to the coexistence of diverse ethnic groups and cultures (Ye, 2018).

The presence of multiple ethnic groups and cultures, particularly among the Pashtuns, has contributed to the complexity of Afghanistan's tribal territory. These ethnic divisions have made it challenging for the central government to establish a lasting legacy of centralization and extend its reach across the country. The limited reach of the central government has hindered the depth and scope of Afghanistan's social realm. The conflict between various political actors in Afghanistan over the past decade has exacerbated social and economic instability within the country. Furthermore, this instability has hindered Afghanistan's integration into the global political and economic system. The inability to establish effective governance structures and address the diverse social, political, and geographical complexities has had a negative impact on Afghanistan's stability and development. Afghanistan's complex socio-political environment, coupled with its geographic diversity, has made it a challenging task for various governments over the years. The existence of dual governing bodies created by historical rulers further adds to the complexity of governance in Afghanistan. Consequently, the country has struggled to establish a robust governance structure that can effectively address the diverse needs and interests of its population (Mutonyi, 2021).

This has contributed to social and political fragmentation, making it difficult for any single government or governing body to effectively govern the entire country. Given the historical context of conquests and invasions, Afghanistan's social, cultural, and political landscape is intricate and diverse. Consequently, there are significant differences in attitudes and perspectives within Afghanistan regarding various aspects, such as keeping our cultural heritage alive. Due to the multitude of ethnic communities, Islamic denominations, and cultures in Afghanistan, there exists a condition of discordance or lack of agreement and consistency within the country. This lack of consistency and agreement has made it challenging for the central government to establish a unified vision and effectively govern the country as a whole (Ahmadi et al., 2022).

Additionally, Afghanistan's history of foreign interventions and conflicts, such as the intervention by the United States and its NATO and non-NATO partners, has further impacted Afghanistan's political and social landscape. These interventions have led to a questioning of the legitimacy of the government, particularly under the administration of Hamid Karzai. Despite decades of intervention and efforts to bring stability, Afghanistan continues to face numerous challenges in terms of political reform, reconstruction, security, and peace. Furthermore, the lack of a lasting legacy of centralization in Afghanistan has hindered the reach and effectiveness of the central government (Ahmadi et al., 2022).

The lack of a solid central government and all the different ethnic groups in Afghanistan have really messed up the economy. The lack of a cohesive and effective

governance structure in Afghanistan has led to economic instability, hindering the country's integration into the global economic system (Yusufzada et al. 2019).

This has created a socio-economic environment conducive to illicit activities, such as poppy farming. The reemergence of poppy farming, particularly in the southern and eastern regions of Afghanistan, is a direct result of the social and economic instability caused by the political turmoil in the country (Witte, 2020).

The complex social, cultural, and political landscape of Afghanistan, shaped by historical conquests and invasions, has led to a diverse and intricate country.

This diversity, while culturally rich and dynamic, has posed significant challenges for governments attempting to govern Afghanistan. The multiplicity of ethnic groups and cultures in Afghanistan has made it difficult for various governments to establish a unified vision and effectively govern the country (Yusufzada et al. 2019).

The lack of a lasting legacy of centralization and the historically limited reach of the central government have further compounded these challenges. As a result, Afghanistan has struggled to establish a deep and comprehensive social realm (Rahman et al. 2019). This small social scene has really held back the growth and roll-out of the policies, programs, and infrastructure we need for the country to move forward economically. (Rahman et al. 2019).

One important aspect of Afghanistan's society is its adherence to Islamic principles, with Islam being the predominant religion followed by the majority of the population. This religious influence extends to various aspects of life, including the economic system.

The zakat system, which is an obligatory form of giving in Islam, plays a significant role in Afghanistan's economic landscape (Majid and Abd, 2017).

Zakat is a form of charitable giving that Muslims are required to give, based on their wealth, to help those in need (Ferdana et al., 2022). It is considered one of the five pillars of Islam and has both individual and societal benefits. In Afghanistan, the zakat system faces several challenges, including issues related to collection, distribution, and transparency (Ferdana et al., 2022).

To address these challenges, it is crucial to examine the zakat system in Afghanistan in the light of sharia, which provides guidelines for its implementation. A comprehensive review of the zakat system will involve analyzing its historical context, legal framework, organizational structure, and the role of various stakeholders involved in its operation.

Moreover, the review should also explore potential solutions to overcome the challenges faced by the zakat system in Afghanistan. This could include improving the collection and distribution mechanisms, ensuring transparency and accountability, promoting awareness and education about zakat, and fostering cooperation between religious scholars, government institutions, and civil society organizations.

By conducting a comprehensive review of the zakat system in Afghanistan, its challenges, and potential solutions, it will be possible to enhance the effectiveness and impact of this important Islamic economic institution. This research can contribute to the broader understanding of the role of zakat in promoting socio-economic development and poverty alleviation in Afghanistan.

1.3 Research Problem

The zakat system plays a vital role in Afghanistan, as it serves as a means of redistributing wealth and providing assistance to the less fortunate in accordance with Sharia principles. However, the current implementation of the zakat system in Afghanistan faces numerous challenges that hinder its effectiveness and equitable distribution of resources. These challenges necessitate a comprehensive review to identify and address the existing shortcomings, while aligning the system with the principles of Sharia.

Due to its significance as an obligatory pillar of Islam and its potential to alleviate poverty and promote social justice, the effective implementation of the zakat system in Afghanistan is of utmost importance (Maisyarah, Hamzah, (2024). However, the current state of the zakat system in the country is plagued by numerous challenges that hinder its proper functioning and realization of its objectives. Therefore, there is an urgent need for a comprehensive review of the zakat system in Afghanistan to identify and address these challenges, while ensuring compliance with the principles of Sharia.

The research problem revolves around understanding the existing obstacles and shortcomings that impede the successful operation of the zakat system in Afghanistan. The current state of the system calls for a thorough examination of its institutional framework, legal provisions, administrative mechanisms, and overall implementation practices. By conducting a holistic analysis, this research seeks to identify the specific challenges faced by the zakat system in Afghanistan and shed light on their underlying causes.

One of the primary challenges is the lack of a unified and standardized framework for zakat collection, management, and distribution. The absence of clear guidelines and regulations leads to inconsistencies and inefficiencies in the system. It results in varying interpretations of Sharia principles among different regions and communities, leading to disparities in the allocation of zakat funds. This undermines the equitable distribution of wealth and fails to maximize the potential benefits of the system.

Another significant challenge is the limited awareness and understanding of zakat among the general population. Many individuals are unaware of their obligations and rights regarding zakat, leading to suboptimal participation and contribution levels. The lack of educational and awareness campaigns on the significance and benefits of zakat perpetuates this issue. As a result, potential donors and beneficiaries remain untapped, hindering the system's potential impact on poverty alleviation and socio-economic development.

Furthermore, this study seeks to investigate possible strategies and solutions that can successfully tackle the challenges that have been recognized. It is essential that these solutions are consistent with Sharia principles and consider Afghanistan's socio-economic landscape. The suggested approaches could include reforms in laws and policies, strengthening institutions, building capacity, raising public awareness, and implementing creative methods to improve the distribution, collection, and management of zakat funds.

Additionally, the transparency and accountability of the zakat system in Afghanistan are questionable. There is a lack of proper monitoring and evaluation mechanisms to ensure that the collected funds are utilized for their designated purposes.

The absence of robust auditing processes and oversight mechanisms creates opportunities for mismanagement, corruption, and diversion of zakat funds. This erodes public trust in the system and compromises its integrity and effectiveness.

This research seeks to enhance and rejuvenate the zakat system in Afghanistan by tackling the identified research problem. The results and suggestions from this study will offer important perspectives for policymakers, religious leaders, government and non-government organizations, and other parties engaged in managing and overseeing the zakat system. Ultimately, the aim is to foster social welfare, alleviate poverty, and ensure a fair distribution of wealth in Afghanistan, aligning with Sharia principles and the overarching goals of sustainable development.

Muslim scholars have done their best to discover circumstantial rules that cover all aspects of zakat. The aim has been to secure the obtainment and distribution of the right amount of zakat on different properties. Yet there have been some areas which need answers regarding practical issues such as organizing, regulating, collecting and distributing the zakat, that have emerged in the contemporary economic environment.

1.4 Purpose of Research

The main aim of the research is to assess and evaluate the current state of the zakat system in Afghanistan, identify challenges and gaps, and develop a comprehensive roadmap for reform and improvement. The comprehensive assessment will involve conducting a detailed analysis of the existing zakat framework in Afghanistan, including its legal, administrative, and operational aspects. Particularly, the study has the following sub-objectives:

Objective 1: Assess the current state of the zakat system in Afghanistan

- Conduct a comprehensive analysis of the existing zakat framework in Afghanistan, including its legal, administrative, and operational aspects.
- Evaluate the effectiveness and efficiency of the current zakat collection, distribution, and management mechanisms.
- Identify gaps, shortcomings, and challenges faced in the implementation of the zakat system in Afghanistan.

Objective 2: Understand the Sharia principles and guidelines related to zakat

- Conduct a detailed study of the Sharia principles and teachings related to zakat, as outlined in the Quran and Sunnah.
- Gain a comprehensive understanding of the various categories of zakat recipients and the specific conditions and criteria for eligibility.

- Examine the role and responsibilities of the state, Islamic scholars, and zakat institutions in ensuring compliance with Sharia principles.

Objective 3: Identify and address challenges in zakat collection and administration

- Identify major obstacles and challenges faced in the collection of zakat, including issues related to coverage, outreach, and public awareness.
- Examine the existing mechanisms for zakat assessment, calculation, and collection, and propose improvements or alternative approaches.
- Develop strategies to enhance the transparency, accountability, and effectiveness of zakat administration, including mechanisms for auditing and monitoring.

Objective 4: Enhance the distribution and utilization of zakat funds

- Evaluate the current methods and mechanisms used for the distribution of zakat funds in Afghanistan.
- Identify potential areas where zakat funds can be utilized to address socio-economic challenges and alleviate poverty.
- Develop strategies to ensure equitable distribution of zakat funds, with a focus on reaching the most deserving and marginalized segments of society.

Objective 5: Strengthen institutional capacity and coordination

- Assess the capacity and capabilities of existing zakat institutions, including governmental and non-governmental entities.

- Identify training needs and capacity-building requirements for zakat administrators, collectors, and personnel involved in the management of zakat funds.
- Promote teamwork and communication among relevant parties such as government bodies, Islamic scholars, and civil society groups to guarantee the successful execution of the zakat system.

Objective 6: Raise public awareness and promote voluntary compliance

- Create extensive awareness initiatives aimed at informing the community about the significance of zakat and its contribution to reducing poverty.
- Encourage voluntary compliance among individuals and businesses through targeted outreach programs, including seminars, workshops, and media campaigns.
- Foster a culture of transparency and trust in the zakat system, emphasizing the impact and benefits of zakat contributions on society.

Objective 7: Develop a roadmap for zakat system reform and implementation

- Based on the findings and recommendations from the comprehensive review, develop a roadmap for the reform and improvement of the zakat system in Afghanistan.
- Outline a clear action plan with specific steps, timelines, and responsible stakeholders for implementing the proposed reforms.

- Monitor and evaluate the progress of the reform efforts and make necessary adjustments to ensure the effectiveness and sustainability of the zakat system in Afghanistan.

For the purpose of this comprehensive study, our focus will be solely on one specific aspect of zakat - namely, its application in trade transactions.

1.5 Significance of the Study

Today's global landscape, understanding and analyzing the comprehensive review of the zakat system in Afghanistan, along with its challenges and potential solutions, is of paramount importance.

By conducting a comprehensive review, we can gain insights into the current state of the zakat system in Afghanistan and identify areas that require improvement.

This will allow us to develop strategies and implement measures that align with Islamic principles and address the challenges faced by zakat institutions in Afghanistan. Additionally, by shining a light on the challenges and proposing potential solutions, this study contributes to the overall development and enhancement of the zakat system in Afghanistan to ensure its effectiveness and adherence to Sharia principles. Furthermore, this study serves as an essential resource for policymakers, scholars, and practitioners in the field of zakat management (Hidayati, 2022).

By employing a bibliometric analysis approach, this study aims to provide a thorough review of existing literature on the topic.

The scope of this bibliometric analysis includes core publications, authors, journals, institutions, citations, and keywords related to the zakat system in Afghanistan. Through this analysis, we can gain a comprehensive understanding of the existing knowledge landscape, identify research gaps, and explore the conceptual and intellectual structure of the zakat Accounting system in Afghanistan. In conclusion, the comprehensive review of the zakat accounting system in Afghanistan, its challenges, and potential solutions in the light of Sharia is a significant endeavor that aims to contribute to the improvement of zakat management in Afghanistan. Overall, this study aims to provide a comprehensive review of the zakat accounting system in Afghanistan, focusing on its challenges and potential solutions based on the principles of Islamic law. The findings of this study will provide valuable insights and recommendations for enhancing the zakat accounting system in Afghanistan, ensuring its compliance with Sharia principles and promoting efficient and effective zakat management.

In light of the existing challenges, it is crucial to focus on strategies that promote the autonomy of zakat management, uphold Sharia principles, bolster auditing bodies, and support the digital transformation of the zakat system in Afghanistan (Gamon and Tagoranao, 2018). Adopting these approaches will not only elevate the standards of governance within zakat institutions but also improve transparency, accountability, and efficiency in managing zakat resources. Furthermore, it is vital to develop a clear and thorough understanding of zakat that responds to modern needs and challenges (Gamon and Tagoranao, 2018).

This initiative aims to enhance public interest in tithing while encouraging zakat management institutions to create innovative distribution and utilization programs that align with the objectives of maqasid al-sharia. These objectives will serve as a benchmark for evaluating the success of zakat empowerment initiatives (Nasution, 2021).

Furthermore, effective zakat management is crucial in achieving the objectives of the maqashid sharia, which include the preservation of religion, life and intellect, wealth, lineage, and honor. To overcome these challenges and ensure the effective implementation of the zakat system in Afghanistan, it is imperative to adopt a holistic approach that encompasses various aspects. This holistic approach should include strengthening the independence of zakat management institutions, ensuring the application of sharia principles in zakat distribution and utilization, establishing effective audit institutions to enhance accountability and transparency, and implementing a computerized zakat system to streamline the management process (Hidayati, 2022).

1.6 Research Purpose and Questions

The primary objective of this study is to examine and assess the current status of the zakat system in Afghanistan. The focus will be on identifying any challenges or gaps that exist within the framework, with the aim of developing a comprehensive roadmap for reform and improvement. This assessment will involve conducting a thorough analysis of various aspects including legal regulations, administrative procedures, and operational practices associated with zakat distribution in Afghanistan. Specifically tailored questions will guide the survey to align with our research objectives.

1. What is the current state of the zakat system in Afghanistan?
2. What are the key challenges faced by the zakat system in Afghanistan?
3. How does the zakat system in Afghanistan align with the principles of Sharia?
4. What are the potential solutions to overcome the challenges faced by the zakat system in Afghanistan, while adhering to Sharia principles?
5. What is your current understanding of the Zakat system in Afghanistan?

1.7 Outline of the thesis

The thesis is organized into five distinct sections. The first section introduces the principles of Islamic economics and provides a brief background on Afghanistan, encompassing its history, legal framework, procedural steps, and the role of these elements in the context of the study. Additionally, this section outlines the problem statement, articulates the research questions, and discusses their significance.

The second chapter conducts a comprehensive review of relevant academic literature, both empirical and theoretical, to provide substantial support and grounding for the subsequent chapters. Key concepts pertinent to the study will also be examined in detail to eliminate any potential ambiguities.

The third section will introduce the principle of Zakat, discussing Zakat-able wealth in terms of amount and ratios. Furthermore, this section will elaborate on the methodological frameworks, including various models, which will facilitate the estimation of the study's diverse objectives.

In the fourth section, the major findings and results of the research will be presented and critically evaluated. This will be followed by a discussion that synthesizes the insights from the preceding sections of the thesis.

Finally, the fifth chapter will offer a summary of the research, including its implications and recommendations for future studies.

CHAPTER II: REVIEW OF LITERATURE

The primary objective of this literature review is to extensively review relevant academic literature, both theoretical and empirical, in order to provide adequate support and grounding for the rest of Chapter Two. This review will focus on examining and assessing the current status of the zakat system in Afghanistan, with a specific focus on identifying any challenges or gaps that exist within the framework. The literature review will be divided into several parts, including an exploration of existing research on the zakat system's functioning as described by previous scholars. Additionally, attention will be given to identify potential areas where further examination is needed concerning shortcomings found thus far in available studies.

The research gaps in this chapter will critically analyze the existing literature to identify any shortcomings, inconsistencies, or unanswered research questions regarding the zakat system in Afghanistan. It is important to conduct a thorough review of relevant sources using a scoping exercise methodology proposed by Arksey and O'Malley, enhanced by Levac et al., which includes identifying the research question, searching for relevant sources, selecting sources, extracting data, collating and summarizing information while consulting stakeholders. This type of review helps communicate both significance and limitations of previous literature while rationalizing the purpose of conducting this research project.

Furthermore, an expanded literature review serves multiple purposes such as providing proof about knowledge on the subject matter as well as dedication towards

rigorous research. In addition to its standard functions within academic papers including critical analysis synthesizing prior studies' findings into an integrated picture, evaluating methodological approaches for potential insights, developing conceptual frameworks that reconcile previous work alongside expanding it further, exploring factors influencing compliance with zakat payments among Muslims or auditing trends within zakat institutions through bibliometric analyses.

Therefore, this updated theory-of-reasoned-action section should thoroughly Culture as an Important Factor in Technology Adoption section will examine the role of cultural factors in influencing the adoption and implementation of technology within the zakat system in Afghanistan.

The Human Society Theory section will explore how the larger societal and economic context influences the functioning and effectiveness of the zakat system.

This section further explores the definition of zakat and assesses its potential classification as a tax system. Additionally, the chapter examines the historical evolution of zakat, its sources, and identifies the individuals who are obligated to pay it.

The summary section will provide a concise overview of the key findings and insights from the literature review, highlighting any significant gaps or areas of further research that need to be addressed in future studies.

2.1 Theoretical Framework

Zakat is a fundamental component of Islam, ranking alongside the declaration of pilgrimage to Mecca, fasting, prayer, and the faith. Its main purpose is to purify one's wealth and foster a closer connection with Allah (Noor Azman and Bidin, 2015).

In the context of Islam, zakat serves a vital function in enhancing the socioeconomic welfare of the community. Since its inception, Muslims have been required to allocate a designated portion of their wealth to assist those in need, based on specific criteria that depend on the value of gold or silver (Ashiq and Mushtaq, 2020). Typically, zakat is calculated at a rate of 2.5% of an individual's eligible assets, which encompass cash, savings, investments, and business profits. Given its obligatory nature, it is reasonable to characterize zakat as a form of taxation (Ashiq and Mushtaq, 2020).

Zakat is among the few instances of compulsory almsgiving found in major world religions. Nevertheless, the act of giving to others is universally regarded as an important practice across all principal faiths (Saunders, 2013). In Christianity, charitable giving is perceived as a religious duty and an integral aspect of being a faithful and responsible individual (Saunders, 2013).

In Judaism, the concept of "Tzedakah" is frequently translated as "charity," yet it is more accurately understood to denote righteousness and justice, functioning as a form of self-imposed taxation rather than a mere voluntary contribution (Dalin, 1997).

Certain Jewish texts also imply that tithing—donating one-tenth of one's income to charitable causes—is mandatory (Chodorow, 2007).

In Hinduism, the act of giving, referred to as "dān," is intricately woven into the fabric of life, encompassing offerings to deities, individuals, and institutions (Bornstein, 2009).

Buddhism posits that almsgiving constitutes the first of the Ten Perfecting Qualities, serving as a pathway to attaining Buddhahood. It is also recognized as the foremost of the Ten Meritorious Deeds, the Ten Virtues of a Good King, and one of the Four Bases of Social Harmony (Collins, 1998).

In the Qur'an, the directive to establish zakat is reiterated over one hundred times, frequently in conjunction with the salah prayer, emphasizing both as essential means of purification (Bukowski, Adam, 2014). Zakat is mandated to be paid based on the total wealth that exceeds a specified minimum threshold known as nisab, which fluctuates according to the current value of silver or gold (Bukowski, Adam, 2014).

In Saudi Arabia, zakat is a mandatory charitable contribution that is collected by the government through the Zakat and Income Tax Authority (ZITA) and used to help the poor and needy.

Zakat is one of the five essential pillars of Islam. It is a mandatory act of worship (Ibadah) ordained by Allah, as outlined in the Qur'an: "... so establish salat and give zakat, and hold fast to Allah ..." (Ali, 2011).

According to Ali (2011), Islam establishes zakat as a mandatory charitable mechanism, applicable to eight distinct categories of individuals. Among these categories, five specifically address the alleviation of poverty, encompassing the poor, the needy, debtors, those seeking emancipation from servitude, and travelers in distress. The

remaining categories encompass the administrators of zakat, individuals whose hearts are inclined towards Islam, and those who are actively engaged in the cause of Allah (Ali, 2011). While the Qur'an explicitly delineates these eight categories, priority in the allocation of zakat funds should be granted to the reduction of poverty through support for the poor and needy (Johari, Ab Aziz, et al., 2014).

Muslim-majority countries have enacted legislation to institutionalize zakat, thereby establishing organizational frameworks responsible for its collection and distribution (Powell, 2009).

According to the Powell (2010), Zakat is mandated by state law in several countries, including Saudi Arabia ,Libya, , Yemen, Pakistan, , Malaysia , and Sudan. Furthermore, a range of government-sanctioned voluntary zakat contribution programs exists in United Arab Emirates, Kuwait, Lebanon , Jordan ,Bangladesh, Iran , Indonesia , Egypt, the Maldives, and the Bahrain (Powell, 2009).

In Afghanistan, zakat is primarily administered and distributed by individuals, organizations, or religious institutions. Muslims who are eligible to pay zakat can contribute directly to those in needs or through established zakat committees or charitable organizations, also UNHCR launched in 2019 the Refugee Zakat Fund to support refugees from Iraq, Afghanistan, Lebanon and other poor Muslim countries. These entities collect, manage and distribute zakat funds to various causes, including assistant to the poor, orphans, widows, disabled individuals and other vulnerable groups.

Numerous types of research have been conducted pertaining to zakat. A study by Abdullah and Suhaib (2011) aimed to elucidate the significance of zakat as an institution

and to elaborate on its impact on the social life of Muslim society. The objective of this research was to advocate for the establishment of zakat as a formal institution in Muslim countries (Abdullah and Suhaib, 2011).

One of the types of research conducted concerning the factors influencing zakat payment was done in Malaysia by Muda et al. (2006). The objective of the study was to examine the factors influencing individual decisions regarding zakat contributions, thereby enhancing the understanding of the motivations behind such contributions (Muda et al., 2006).

Furthermore, additional research has indicated that various socialization factors associated with zakat institutions, along with considerations of costs, convenience, security in utilizing applications, and the credibility of zakat institutions, are significant variables that impact the decisions of muzakki, those who are obligated to pay zakat, in making contributions through financial technology platforms (Agustiniingsih et al., 2021).

One of the researchers conducted that policymakers and stakeholders can better understand the factors influencing muzakki's behavior in paying Zakat and devise effective strategies to promote compliance (Doktoralina et al., 2018).

Zakat management in Afghanistan conducted by (Fakoor, Janan et al., 2019). So, this study aimed to check out how people in Afghanistan are distributing zakat, see how well managing zakat has helped boost the economy for those who really need it, and come up with a game plan for managing zakat better to get the best results possible (Fakoor et al. 2019).

Research has been undertaken to examine the factors that influence the intention to utilize online platforms for the payment of zakat. So, one study found that things like how much you think you'll benefit, how easy it is, the support you get, and knowing about zakat really affect whether people want to use an online platform for zakat payments. But surprisingly, social influence didn't seem to matter much at all. According to the findings of Kasri and Yuniar (2021), these results underscore the importance of enhancing zakat literacy and ensuring convenient access to online zakat payment systems as critical elements in fostering the adoption of digital zakat payment methods (Kasri and Yuniar, 2021).

In Indonesia, Islamic charities have also been using social media to document their activities and raise funds. These charities emphasize immediacy and the quick conversion of donations into concrete help to appeal to donors who demand immediate results. The use of social media has changed the discourse of almsgiving and has become an important tool for Islamic charities in Indonesia (Kailani and Slama, 2019). Zakat organizations must ensure that their payment systems are both efficient and effective, enhance their organizational and technical infrastructures, and foster an increase in zakat literacy. Regarding the financial performance of Sharia commercial banks in Indonesia, the Islamicity Performance Index—comprising elements like the zakat performance ratio, profit-sharing ratio, and equitable distribution ratio—has been shown through empirical studies to significantly influence the financial outcomes of these banks (Felani et al., 2020). This indicates that the integration of Islamic principles, particularly the zakat

system, can positively affect the financial performance of Sharia commercial banks in Indonesia (Felani et al., 2020).

After an extensive review of literature related to the zakat system in Afghanistan, several problems and gaps were identified. These issues pose significant challenges to the implementation of the system and must be addressed to ensure its success.

One significant gap in the literature on the zakat system in Afghanistan is the lack of clarity and standardization in the distribution and collection of zakat funds. Different regions and organizations have their own methods of collection and distribution, making it difficult to track and ensure the proper utilization of the funds (Santoso, 2020).

Additionally, the inconsistent application of the zakat system within Afghanistan's democratic governance has led to ineffective governance, a lack of a widely recognized fatwa, no established zakat accounting standards, and limited adherence to these practices. These factors constitute significant obstacles to the establishment of an effective zakat system (Saad and Farouk, 2019). It is crucial to address these barriers and improve compliance behavior to ensure the success of the zakat system (Saad and Farouk, 2019).

To enhance the effectiveness of the zakat system, various stakeholders, such as government officials, traditional leaders, accounting regulators, Ulama, and researchers in economics and accounting, must collaborate to overcome existing challenges. It is advisable to adopt quality management systems that encompass planning, organization, implementation, and control to improve zakat management (Fasiha and Abdullah, 2022). Furthermore, leveraging mosques as distribution hubs for zakat funds, with assistance

from organizations like BAZNAS, can significantly aid in alleviating poverty and enhancing the zakat system's efficacy (Pratama and Yuni, 2020). The literature emphasizes the necessity for clearer guidelines, standard procedures, and better governance in the allocation and collection of zakat funds. To ensure the zakat system's success, it is essential to tackle issues such as inadequate governance, the absence of widely accepted fatwas, lack of accounting standards, and low compliance rates. By implementing quality management systems and utilizing mosques for distribution, we can further contribute to poverty reduction and the effective functioning of the zakat system.

2.2 Areas of agreement and disagreement:

A common point of consensus regarding the zakat system in Afghanistan is the necessity of enhancing public knowledge and education about the advantages and correct application of zakat. Many believe that Islamic scholars and religious leaders are crucial in raising awareness and addressing misunderstandings surrounding zakat (Ghani et al., 2018). However, there are some disagreements related to the level of government involvement in regulating the zakat system. While some argue that the government's involvement is necessary to ensure transparency and accountability, others argue that it can lead to corruption and politicization of zakat distribution (Wahyuningsih et al., 2023).

2.3 Problems and gaps in the literature:

After an extensive review of literature related to the zakat system in Afghanistan, several problems and gaps were identified. These issues pose significant challenges to the implementation of the system and must be addressed to ensure its success.

One significant gap in the literature on the zakat system in Afghanistan is the lack of clarity and standardization in the distribution and collection of zakat funds. Different regions and organizations have their own methods of collection and distribution, making it difficult to track and ensure the proper utilization of the funds (Santoso, 2020).

The fragmented execution of the Zakat system within Afghanistan's democratic governance has led to ineffective management, a lack of a widely recognized fatwa, inconsistent accounting practices for Zakat, and low compliance rates. These issues present significant challenges to the development of a robust Zakat system. It is essential to tackle these obstacles and enhance compliance to ensure the Zakat system's effectiveness (Saad and Farouk, 2019).

From a practical standpoint, various stakeholders—including the government, traditional authorities, accounting regulatory bodies, Ulamas, and researchers in economics and accounting—should collaborate to overcome these challenges and promote the success of the Zakat system. To enhance Zakat management, the implementation of quality management systems that encompass planning, organizing, execution, and monitoring is advised (Fasiha and Abdullah, 2022).

Moreover, leveraging mosques as distribution hubs for Zakat funds, with assistance from organizations like BAZNAS, can play a vital role in alleviating poverty and enhancing the Zakat system's implementation (Pratama and Yuni, 2020). In summary,

literature emphasizes the necessity for clarity, standardization, and robust governance in the distribution and collection of Zakat funds. Addressing issues such as ineffective governance, the absence of a commonly accepted fatwa, the lack of accounting standards, and low compliance is vital for the Zakat system's success. Implementing quality management systems and utilizing mosques for distribution can further aid in reducing poverty and strengthening the Zakat framework.

The Zakat system is a significant component of Afghanistan's Islamic culture and financial landscape. As one of the pillars of Islam, Zakat represents the obligatory charitable donations that Muslims are required to make to support those in need. In Afghanistan, the Ministry of Hajj and Religious Affairs oversees the collection and distribution of Zakat.

2.4 Theory of Reasoned Action

The Theory of Reasoned Action provides valuable insights into the comprehensive review of the zakat system in Afghanistan, its challenges, and potential solutions within the framework of Sharia. By applying the Theory of Reasoned Action, policymakers and stakeholders can better understand the factors influencing muzakki's (who are obligated to pay zakat) behavior in paying zakat and devise effective strategies to promote compliance (Doktoralina et al., 2018).

This theory emphasizes the importance of individuals' attitudes, beliefs, and subjective norms in shaping their intentions and subsequent behavior.

In the context of the Afghan zakat system, the Theory of Reasoned Action can help identify the attitudes and beliefs of muzakki towards zakat payment, as well as the subjective norms that influence their actions. By understanding these factors, policymakers can develop targeted interventions to address the challenges faced by the Zakat system in Afghanistan.

Moreover, The Theory of Reasoned Action (TRA) is a valuable framework that can provide insights into the factors that impede compliance with zakat obligations and aid in the development of effective solutions. TRA, developed by Fishbein and Ajzen, (1977), is a well-established social psychological theory that explains human behavior based on subjective norms, attitudes, individuals' and perceived behavioral control (Fishbein and Ajzen, 1977).

By applying TRA to the context of zakat compliance, researchers can gain a deeper understanding of the underlying factors that influence individuals' decision-making processes and their subsequent adherence to zakat obligations.

The use of TRA in studying compliance with zakat obligations can be particularly beneficial due to its emphasis on attitudes and subjective norms. Attitudes refer to individuals' evaluations of the behavior in question, while subjective norms reflect the perceived social pressure to comply with the behavior. In the case of zakat compliance, attitudes can encompass individuals' beliefs about the importance of fulfilling their religious duty and the benefits of zakat for both individuals and society.

Subjective norms, on the other hand, can encompass the influence of family, community, and religious leaders in shaping individuals' perceptions of the social expectations

surrounding zakat compliance. Furthermore, TRA also considers perceived behavioral control, which refers to individuals' beliefs about their ability to perform the behavior.

In the context of zakat compliance, perceived behavioral control can encompass factors such as individuals' financial capabilities, knowledge about zakat regulations, and access to resources that facilitate compliance.

By examining these factors through the lens of TRA, researchers can identify specific barriers to zakat compliance and develop targeted interventions to address them. In conclusion, the Theory of Reasoned Action offers a valuable framework for understanding the factors that hinder compliance with zakat obligations. By considering individuals' attitudes, subjective norms, and perceived behavioral control, TRA can provide insights into the decision-making processes underlying zakat compliance and inform the development of effective solutions.

Future research employing the Theory of Reasoned Action (TRA) within the context of zakat compliance may enhance our understanding of this significant religious obligation and facilitate increased adherence to zakat requirements. For example, prior studies have indicated that factors related to socialization from zakat institutions, the associated costs, the convenience and security of utilizing applications, as well as the credibility of zakat institutions, are critical variables influencing the willingness of muzakki to fulfill their zakat obligations through fintech platforms (Agustiningsih et al., 2021).

By incorporating these variables into the framework of the Theory of Reasoned Action, policymakers can identify specific areas that require attention and develop strategies to enhance compliance with Sharia principles.

Overall comprehensive review of the zakat system in Afghanistan, address the challenges it currently faces and find solutions in accordance with the theory of reasoned action. This review involve an analysis of the effectiveness of zakat in poverty alleviation, taking into account the principles laid out in the Quran and Sunnah as well as the socio-economic context of Afghanistan. Furthermore, it consider the cultural and legal status of zakat in Afghanistan, recognizing the regional conditions that influence its implementation. Moreover, It is imperative to assess the efficacy and socialization of the zakat system in Afghanistan, ensuring that it effectively contributes to the alleviation of poverty and enhances the financial well-being of zakat recipients (Syauqi et al., 2022).

2.5 Culture as Important Factor to Technology Adoption

Culture plays a significant role in shaping the adoption of zakat in Afghanistan. As an Islamic country, Afghanistan's strong religious and cultural foundation influences the attitudes and behaviors of its population towards zakat. The cultural values and beliefs of the Afghan people, particularly those rooted in Islam, create a favorable environment for the acceptance and practice of zakat. Afghanistan's cultural norms place a high importance on generosity, charity, and social welfare, all of which align with the principles of zakat. These cultural values not only motivate individuals to fulfill their religious obligations but also foster a sense of responsibility towards caring for the less

fortunate members of society. Furthermore, the tradition of community solidarity and collective responsibility, which is deeply embedded in Afghan culture, strengthens the adherence to zakat (Wahab and Rahim Abdul Rahman, 2011). The culture of Afghanistan also promotes the idea of communal support and the belief that wealth should be shared to improve the overall well-being of society.

The cultural tendency toward generosity and philanthropy is a key factor influencing the practice of zakat in Afghanistan. Furthermore, the social norms and structures prevalent in the country create a supportive environment for the distribution and collection of zakat. Informal networks, including mosques and community organizations led by religious figures, enhance the processes of gathering and allocating zakat funds. Additionally, the strong cultural conformity within Afghan society significantly impacts the willingness of individuals to engage in zakat, as people are more inclined to contribute when it is recognized as a societal norm and when there is social pressure to adhere to these traditions.

In conclusion, the zakat system in Afghanistan faces many challenges related to its implementation and regulation, but it has the potential to contribute significantly to poverty alleviation and social justice. To achieve this potential, there is a need for greater awareness, education, and coordination among different stakeholders involved in the zakat system.

To overcome these challenges and improve the zakat system in Afghanistan, several solutions could be considered. Standardizing the distribution and collection of Zakat funds would provide much-needed transparency and accountability. Establishing a

central zakat collection agency with trained staff and resources to guide and educate donors would also improve the integrity of the system.

Additionally, increasing public awareness of the importance of zakat through public campaigns, educational programs, and media would encourage more significant contributions and wider participation.

Addressing these challenges and implementing the suggested solutions could enhance the integrity of the system, increase public participation, and provide greater benefits to those in need. Additionally, further research and empirical evidence are needed to evaluate the effectiveness of the zakat system and identify potential areas of improvement. By addressing these challenges and gaps, the zakat system can play a vital role in promoting sustainable economic development and social welfare in Afghanistan.

2.6 Human Society Theory

The zakat system in Afghanistan, like in many other Muslim-majority countries, faces various challenges in its implementation. These challenges can be analyzed and understood through the lens of human society theory, which examines the interactions and dynamics within a social system. Here is a comprehensive review of the zakat system in Afghanistan, its challenges, and potential solutions in the light of Sharia and human society theory:

1. **Lack of Awareness and Education:** One of the primary challenges is the limited understanding of the zakat system among the population. Many individuals may not be aware of their obligations or the potential benefits of zakat. Addressing this

challenge requires educational campaigns and initiatives that raise awareness about the importance of zakat, its principles, and its impact on society. Collaborating with religious scholars and community leaders can help disseminate accurate information and promote a better understanding of zakat.

2. Inadequate Collection Mechanisms: Ensuring the efficient collection of zakat funds is crucial for the system's success. However, the lack of proper mechanisms for collecting zakat can hinder its effectiveness. Establishing transparent and reliable collection systems, such as designated collection centers or online platforms, can facilitate the process and encourage more individuals to fulfill their zakat obligations.

3. Mismanagement and Corruption: Mismanagement and corruption can undermine the integrity of the zakat system. It is essential to establish strong governance and oversight mechanisms to prevent misuse of funds and ensure their proper distribution. Implementing accountability measures, conducting regular audits, and involving independent auditing bodies can help mitigate these challenges.

4. Identifying Eligible Recipients: Determining the eligibility of individuals and entities to receive zakat can be complex, especially in a diverse society like Afghanistan. Developing clear and standardized criteria for identifying eligible recipients, based on Sharia principles, can help ensure fairness and transparency. Collaborating with religious scholars and experts in Islamic jurisprudence can provide guidance in this regard.

5. Economic Development and Poverty Alleviation: The zakat system aims to alleviate poverty and promote economic development. However, achieving these goals requires not only the distribution and collection of zakat but also the implementation of sustainable development programs. Integrating zakat-funded initiatives with broader poverty alleviation strategies, such as vocational training, microfinance, and entrepreneurship support, can help create long-term impact and empower recipients to become self-sufficient.

6. Collaboration with Key Stakeholders: Collaboration with various stakeholders, including government institutions, religious scholars, NGOs, and civil society organizations, is crucial for the effective implementation of the zakat system. Engaging in dialogue, fostering partnerships, and leveraging the expertise and resources of these stakeholders can enhance the system's reach, impact, and sustainability.

7. Transparency and Accountability: Ensuring transparency and accountability in the distribution and collection of zakat funds is crucial for maintaining public trust. Implementing mechanisms for regular reporting and disclosure of financial information can enhance transparency. Additionally, involving independent auditing bodies and establishing channels for public feedback and complaints can help address any concerns and ensure accountability.

8. Technology and Innovation: Embracing technology and innovation can greatly enhance the efficiency and effectiveness of the zakat system. Implementing digital platforms for zakat collection and distribution can streamline processes, reduce

administrative costs, and reach a wider audience. Technology can also be utilized for targeted beneficiary identification, tracking fund utilization, and monitoring impact.

9. **Social Cohesion and Community Engagement:** The zakat system can be a powerful tool for fostering social cohesion and community engagement. Encouraging community participation in the distribution and collection of zakat funds, such as through volunteer-driven initiatives, can strengthen social ties and create a sense of collective responsibility. This can lead to greater community support and ownership of zakat programs.

10. **Research and Data Analysis:** Conducting research and data analysis can provide valuable insights into the impact and effectiveness of the zakat system in Afghanistan. This includes assessing the needs and priorities of eligible recipients, evaluating the outcomes of zakat-funded projects, and identifying areas for improvement. Evidence-based decision-making can help optimize resource allocation and enhance the overall impact of zakat.

11. **International Collaboration and Best Practices:** Learning from the experiences and best practices of other countries with well-established zakat systems can be beneficial. Engaging in international collaboration, sharing knowledge, and adopting successful strategies can help overcome challenges and strengthen the zakat system in Afghanistan. This can be done through partnerships with international organizations, participation in conferences and workshops, and exchange programs.

12. Continuous Evaluation and Adaptation: The zakat system should undergo continuous evaluation and adaptation to ensure its relevance and effectiveness in the evolving Afghan society. Regularly reviewing and updating policies, procedures, and distribution mechanisms based on feedback and changing needs can help address emerging challenges and optimize the impact of zakat in Afghanistan.

In conclusion, addressing the challenges facing the zakat system in Afghanistan requires a comprehensive approach that considers the principles of Sharia and the dynamics of human society. By raising awareness, improving collection mechanisms, combating corruption, establishing clear eligibility criteria, promoting economic development, and fostering collaboration, the zakat system in Afghanistan can be strengthened to better fulfill its purpose of promoting social welfare and economic justice in the country.

By addressing these additional points, the zakat system in Afghanistan can further enhance its implementation, overcome challenges, and align with the principles of Sharia and the needs of the Afghan society.

2.7 The Definition of Zakat

Zakat is a religious obligation in Islam, characterized as a form of worship and charitable giving (Johari, Aziz, et al., 2014).

This subsection critically examines the conventional definition of zakat, proposing a legal interpretation that positions zakat as a tax system. Furthermore, it addresses the common misconceptions surrounding zakat, almsgiving, and zakat al-fitr (Craig, 2012).

2.7.1 The Conventional Meaning of Zakat

The word Zakat is derived from the Arabic verb *zakah*, meaning 'to purify,' and it also conveys a sense of growth or increase. Most Islamic jurists have described Zakat as an obligation assigned by God to promote economic and social effectiveness. This definition reflects the idea that Zakat is a divine requirement and serves valuable purposes for both the economy and society (Putri and Pratama, 2020).

However, some may argue that this definition lacks clarity as it presents zakat solely as a religious obligation contributing to socio-economic well-being when carried out. It neglects to define the core concept of zakat or its true essence. This spiritual definition is devoid of legal aspects, which could hinder law enforcement from relating it to tax laws. Consequently, conventional definitions like these should be disregarded when analyzing zakat as a tax system. Taxation connects with the qualities linked to zakat, and is grounded in principles beyond faith and personal conviction (Al-Salih, 2020).

2.7.2 Zakat as a Form of Taxation

According to the Oxford English Dictionary, a tax is defined as a mandatory financial contribution to government revenues, levied on personal income and corporate

earnings, or included in the costs of certain goods, services, and transactions (Allami, 2015).

In contrast, Morse and Williams describe tax as an obligatory charge enforced by a governmental body for public use. Tiley and Loutzenhiser explain that taxes are implemented under legislative authority by a public entity with the purpose of serving public needs (Johari, Aziz, et al., 2014). Olowofoyeku further underscores the obligatory nature of taxation as reflected in numerous definitions. In light of this perspective, zakat may be categorized as a form of tax, as it is mandated by the Quran, which states, "Take zakat from their wealth," thereby highlighting its collection for the purpose of communal welfare. The word "take" refers to a command given to Prophet Muhammad to gather zakat, highlighting its obligatory nature (Paramole, 2020).

Consequently, zakat should be viewed as a tax rather than a voluntary contribution. Abdullah Ibn Manie described zakat as “the amount of money recognized as a right for certain beneficiaries, which must be collected from designated payers via annual fixed-rate assessments on specified criteria” (Putri and Pratama, 2020).

This legal definition outlines five key elements contributing to our understanding of zakat. These elements include:

- 1- The zakat collection must be distributed to designated recipients.
- 2- zakat is compulsory.
- 3- Zakat should be gathered on a yearly basis.
- 4- The zakat rates are fixed and do not vary.

The principles of zakat are clearly defined.

Therefore, considering these key elements and the mandatory nature of zakat as outlined in the Quran, it can be concluded that zakat should be categorized as a form of mandatory taxation rather than a voluntary donation.

Ibn Manie's interpretation emphasizes the facets of zakat, but it could be contended that his depiction does not thoroughly convey the concept (Craig, 2012).

This definition has three notable limitations. First, it does not have a basis in legal principles, as Ibn Manie fails to reference the Quran or any sayings of Prophet Muhammad, which are essential primary sources for the implementation of zakat (Craig, 2012).

The definition describes zakat as "a sum of money that is considered to be rights for specific beneficiaries," but it does not clarify how these rights originate. Furthermore, Ibn Manie states that zakat "must be collected... by imposing annual flat rates levy" without linking this requirement to any legal or statutory source, such as the Quran (Craig, 2012).

Secondly, it is inaccurate to describe zakat as an annual tax for two main reasons. From a legislative perspective, zakat does not operate like a yearly tax that is re-established or rescheduled annually, as seen in UK income tax laws (Craig, 2012).

The guidelines and rates for zakat are based on the teachings of the Prophet and are not meant to be subject to arbitrary annual modifications. Even if Ibn Manie aimed to suggest that zakat is a recurring payment, this characterization is misleading, as zakat can be paid monthly, quarterly, or annually in accordance with zakat principles (Craig, 2012).

Accordingly, there is no need to label zakat as a 'yearly' tax. Furthermore, stating that zakat 'must be collected from specific contributors' can create the impression that it targets a defined group of individuals or implies that the obligation of zakat is an exclusive levy on a minority (Allami, 2015). Zakat is not a fee, toll, or duty imposed solely on certain sectors or individuals. It functions instead as a public tax and generally applies to the majority of people by default (Craig, 2012).

It may be more precise to assert that Zakat is a mandatory, fixed tax mandated by the Quran, and its proceeds are allocated to those who meet the criteria for eligibility. This description emphasizes the obligation of Zakat according to the Quran, acknowledges its uniform levy, and specifies that its funds must benefit particular recipients (Putri and Pratama, 2020).

It is important to highlight that the expression "to be distributed to eligible recipients" is consistent with Ibn Manie's definition of "which must be collected from specific payers." The identification of recipients can be substantiated and is distinct from Ibn Manie's delineation of payers (Allami, 2015). This differentiation is warranted due to the private nature of the relationship between zakat authority and the beneficiaries, which parallels the trustee-beneficiary relationship found in trust law. This matter pertains to individuals' entitlements; thus, it has been specified that the zakat fund is "to be distributed to eligible beneficiaries" (Putri and Pratama, 2020).

On the other hand, as previously mentioned, there seems to be no necessity for using "to be collected from specific payers."

It is important to assess whether the latter definition should highlight the significant role of Prophet Muhammad's statements as a key reference for zakat, in addition to the Quran (Allami, 2015). The sayings of the Prophet are seen as a vital source for understanding zakat, providing critical insights into its principles and regulations, including specific rates, criteria, and implications. Consequently, it is essential to determine if the definition should indicate that zakat is 'required by both the Quran and the sayings of Prophet Muhammad' (Lubis et al., 2019).

The term 'required by the Quran' is used to justify the enforcement of zakat. However, this definition fails to acknowledge the Prophet's statements, which serve a regulatory function, whereas the Quran is viewed as the primary basis for the obligation of zakat. The obligation of zakat is derived from a verse in the Quran that instructs believers to 'Take zakat from their wealth,' rather than being established solely through the statements of Prophet Muhammad (Allami, 2015). While the Prophet's statements serve as an important source for understanding zakat, they do not constitute its foundational basis; that foundation is firmly established in the Quran (Hamat, 2014).

2.7.3 The Distinction Among Zakat, Charity, and Zakat al-Fitr

The distinction between zakat and charity is often discussed in linguistic terms rather than through a clear conceptual framework. The translation of 'zakat' as 'alms' has led scholars like Joseph Schacht and John Esposito to use the term 'alms' when discussing zakat, which can create confusion in interpretation (Craig, 2012).

For instance, in *The Future of Islam*, Esposito describes 'zakat' as 'almsgiving' but clarifies that it is a compulsory tax rather than a voluntary charitable act (Allami, 2015).

Moreover, Javaid Rehman and Aybek Ahmedov highlight in their study of the Islamic Law of Obligatory Alms that zakat is an enforced tax, which further muddles the terminology by referring to it as obligatory alms (Lev, 2007).

The phrase 'obligatory alms' is paradoxical because 'alms' typically denotes voluntary charity. If alms are mandated by law, they should be categorized as a 'tax' or 'imposed levy' rather than 'obligatory alms' (Lev, 2007).

Therefore, using the term "alms" to describe zakat is both linguistically misleading and conceptually inaccurate. It is crucial to differentiate "zakat" from "alms," as zakat represents a compulsory obligation (Allami, 2015).

Yusuf Al-Qaradawi, a well-known contemporary Islamic scholar, suggests that different terminology might better capture the essence of zakat. In his influential book, *Fiqh Al-Zakat (The Jurisprudence of Zakat)*, he proposes terms like "tax system," "social insurance system," and "growth fund system." He supports his argument by referencing the actions of Omar Ibn Al-Khattab. When Omar collected zakat from the Taghlab, a Christian tribe, several companions protested, claiming zakat is an Islamic duty while the Taghlab practiced Christianity. Omar's response, "Name it whatever you wish," indicates that the label of "zakat" is less significant than the proper implementation of its principles. However, Al-Qaradawi emphasizes that the chosen terminology should reflect zakat's obligatory nature. Additionally, confusion often arises between zakat and zakat al-fitr (Allami, 2015).

Zakat al-fitr is not a government-regulated tax but rather an act of devotion intended to encourage Muslims to share their joy during Eid with those less fortunate. Each year, it is customary for Muslims to give zakat al-fitr to the needy on the last day of Ramadan, often in the form of dates, rice, grains, or raisins. Thus, it is essential to recognize that zakat al-fitr and zakat are fundamentally different concepts (Allami, 2015).

2.7.4 Historical Background of Zakat

This section examines the origins of zakat prior to the advent of Islam and traces its development through to the Abbasid Caliphate. It will also explore the factors contributing to the diminished prominence of zakat during the later period of the Ottoman Empire and provide an overview of contemporary customs associated with zakat.

2.7.4.1 The period before the rise of Islam

The period before the rise of Islam, also known as Jahiliyya, was a time when Arab tribes held dominion. In the sixth century A.D., the Quraysh tribes were particularly powerful in controlling trade and political matters in Mecca on the Arabian Peninsula. They exerted control over various aspects including slavery, livestock, loan interest rates, and importation and sale of agricultural products such as fruits, dates, and grains (Berkey, 2002; Ibrahim, 1982).

The promotion of paganism was also incentivized as the Quraysh charged pagans visiting the Ka'abah, making its spread a significant source of revenue for them. At that time, the legal system aimed to prioritize the welfare of the Quraysh tribes and their commercial activities. The regulatory institutions of the Quraysh were shaped by the

values and traditional practices of the privileged classes, with leaders establishing regulations primarily in support of commerce (Craig, 2012).

Therefore, actions deemed profitable were 'permitted' (e.g., usury), whereas those considered unprofitable were classified as 'prohibited' (e.g., charity). According to the observations of Henri Lammens, the government of Mecca during that period exerted considerable influence over these principles (İbrahim, M., 1982).

At that time, Mecca was recognized as a merchant republic governed by a consortium of affluent businessmen. In terms of its judicial framework, there existed a complete absence of formal courts; instead, disputes among traders and tribal leaders were resolved through the informal Majlis (council). During this era, the Majlis primarily served as a mediating body (Craig, R, R., 2012).

In Mecca during this period, the notions of 'right' and 'justice' were intricately linked to the power and influence of individuals. The prominent Quraysh tribe adhered to a philosophy reminiscent of "survival of the fittest," whereby those in positions of authority were entitled to specific rights. This system predominantly favored the wealthy, nobility, elites, and warriors, who often received rights and compensations. In contrast, women, the elderly, minors, and individuals with disabilities were typically excluded from inheriting property or acquiring any property rights, as they were perceived as too weak or inefficient to benefit from such entitlements (The Third Pillar of Islam, 2017).

During the period before the rise of Islam, there was severe oppression of the poor by the wealthy and traders. The leaders of Quraysh tribes showed no mercy towards those in need. In some cases, they enslaved the sons of debtors when their parents were unable

to repay what they owed. As a result, many impoverished individuals resorted to ending the lives of their young sons in order to spare them from a life plagued by poverty and slavery (Lev, Y., 2007).

No formal measures were in place to address the issue of poverty, and there was little emphasis on philanthropic efforts. Almsgiving was primarily practiced by a minority of Jews and Christians living in Arabia, who provided personal assistance rather than participating in an organized social welfare system. When Prophet Muhammad started spreading the teachings of Islam publicly, he voiced concerns about various human rights issues such as equality, fair trade, and charitable acts. He directed Muslims to give zakat to those in need, similar to how Christians and Jews were giving alms (Kochuyt, 2009).

The Prophet called for charitable activities in line with the Quran: ‘So give to the kindred his due, to the poor and to the wayfarer. That is best for those who seek God’s Countenance; and it is they who will be successful (The Third Pillar of Islam: Compulsory Charity - The Religion of Islam, 2011).

The leaders of the Quraysh regarded Muhammad’s Islamic preaching with contempt, continuing to prevent charitable activity in Mecca. They also blockaded Muhammad and his followers economically, prohibiting the sale of goods to Muslims and the purchase of goods produced by Muslims. The reason for this was that they did not want to implement charity or witness the effects of wealth re-distribution to the poorest in society. This approach aimed at maintaining their control over resources and power within Mecca (Lev, Y., 2007).

They were afraid of losing their dominance over unpaid employees and slaves and saw alms as a threat to their superiority. Once the latter receive charity and financial aid, they may become independent. As a result of this tyranny, in 622 A.D., Muhammad and many of his followers left Mecca and migrated to Medina , the Hijra (Allami, 2015).

2.7.4.2 The Rise of Zakat Implementation in Medina

The implementation of zakat collection started in Medina after the Prophet's migration from Mecca. The initial introduction of 'mandatory zakat' did not take place in Mecca but rather in Medina. According to Al Qaradawi, the zakat system as it existed during the early years of Islam was not identical to the established zakat system in year nine (in the Islamic calendar/Hijri) (Craig, R, R., 2012).

At the start of Islam, during its time in Mecca, zakat was initially seen as a strictly religious obligation, similar to almsgiving in Christianity. This meant that it was considered more of a voluntary act of piety rather than an obligatory duty (Craig, R, R., 2012).

The responsibility for its performance was entrusted to the individual consciences of Muslims, much like acts of piety such as prayer and fasting.

Zakat in Mecca started as a voluntary act similar to alms in Christianity. However, by the ninth year, zakat had evolved into both an economic obligation and a religious one (Fazlul, Karim, 2007).

The Quran in Medina required Muslims to pay zakat as an obligatory contribution from their wealth. Zakat has been regarded as the third fundamental principle of Islam since then (Why Muslims Pay Zakat, 2023).

The Prophet emphasized the mandatory nature of zakat by stating that it will be collected forcefully from those who avoid payment and encourage others to do so, along with imposing a penalty of half their wealth (Johari, F. et al., 2014).

The second verse and statement highlight the obligatory nature of zakat, emphasizing that it should not be viewed simply as a voluntary act of giving to the poor or charitable donations, but rather as a mandatory contribution which carries penalties for non-compliance (Johari, F. et al., 2014).

Zakat collection and distribution were carried out by the Prophet and his closest companions. Muslims were required to pay zakat, but its regulations varied without a written code or official administrative body at that time (Allami, 2015).

Traditional scholars argue that because Muslims regarded the Quran as a sacred text, the obligation to pay zakat was motivated by their internal religious convictions.

However, the fulfillment of zakat by Muslims reflected a non-religious motive, namely the prevalence of poverty and economic challenges experienced during that period.

Most of the initial supporters of Prophet Muhammad came from impoverished and marginalized backgrounds, which led them to appreciate the social and economic stability provided by zakat. Karen Armstrong notes that many new adherents to Islam, including numerous women, were from less privileged families. The rise in interest rates for loans,

insolvency among debtors, tribal monopolies, and the spread of slavery likely contributed to their decision to embrace the Prophet's teachings on immediate redistribution of wealth (Masyita, 2018).

2.7.4.3 Post-Islamic era after the time of Prophet Muhammad

After the passing of Prophet Muhammad and during the Apostasy War, a significant number of insurgents ceased their zakat payments as they disavowed Islam altogether (Johari, F. et al., 2014).

The denial of zakat was also promoted by them as a rejection of the third pillar of Islam. Most of these insurgents hailed from well-known tribes such as the Banu Hanifa and Banu Tamim, rather than from the Quraysh (History of Zakat - Prophetic Period & Caliphate of Abu Bakr, 2022).

Paying zakat to the government of Abu Bakr, who took over after Muhammad, was considered disrespectful and degrading because he was not a Prophet like Muhammad. Abu Bakr believed that zakat was an important religious obligation and a key aspect of the financial system of the Islamic state (History of Zakat - Prophetic Period & Caliphate of Abu Bakr, 2022).

He therefore engaged in battle against the rebels, publicly stating that he would oppose those who made a distinction between prayers and zakat. He emphasized that zakat is an essential form of financial worship. Abu Bakr's choice to act against the rebels ensured the continued integrity of zakat enforcement for numerous years

This resulted in zakat being already firmly established and managed by Baitulmaal (the ministry of finance) when the Umayyads rose to power in Arabia (Ibrahim, 2014).

During the period of the Umayyad Caliphate, there was a notable increase in the political and economic significance of the Arabian Peninsula compared to previous decades. The Caliphate experienced expansion and heightened global strategic importance. This era marked significant economic prosperity, including the introduction of gold, silver, and bronze Dinars as currency (Ahmad et al., 2019).

Moreover, most of the Umayyad rulers successfully boosted Caliphate income through the implementation of customs duties and fees on imported goods and foreign merchants. Taxation and zakat collection were overseen by the Caliph's emissaries, while management of disbursement and expenditures fell under the purview of Baitulmaal (Aisyah and Ismail, 2019).

The function of zakat collection was based on the Caliph's commands; and there was no written statutory of zakat (Aisyah and Ismail, 2019).

The primary reasons for the Umayyad Caliphate's downfall were its centralized administrative structure and the unequal nature of its taxation policies. One major issue was the difficulty in collecting zakat due to this centralization (Aisyah and Ismail, 2019).

By 750 C.E., at the height of the Umayyad Caliphate's expansion, there were difficulties in effectively gathering zakat. The central government in Damascus faced financial challenges when it came to collecting zakat and other taxes from distant regions, resulting in overall tax collection problems (Al-Hasan, 2007).

The land tax was largely situated far from the main collection point, resulting in significant challenges in collecting and transporting the proceeds. This process was both time-consuming and costly, while also being vulnerable to loss of revenue (Aisyah, S. and Ismail, N., 2019).

Thus, the consolidation of the Caliphate led to increased collection expenses that exceeded the anticipated yield from zakat funds, resulting in the collapse of the system. Additionally, due to unequal taxation under Umayyad rule, many individuals felt discriminated against and chose not to pay any taxes at all (Ahmad, S., Suradilaga, S, A. and Shaleh, I., 2019).

The Umayyad tax system differentiated between taxpayers based on their religious affiliation. Muslims were required to pay zakat, while non-Muslims and recent converts to Islam paid jazyah (a truce tax) along with a higher rate of land tax. This unequal treatment led to resistance from non-Muslims and new-Muslims in Africa and central Asia, resulting in an economic shortfall for the Umayyad Caliphate and facilitating the rise of the Abbasids in Arabia (Wahab, A, N. and Rahman, A., 2011).

2.7.4.4 The Abbasid Caliphate

Compared to the collection mechanism during the Umayyad era, the process during the Abbasid Caliphate was less centralized. The majority of the Abbasid Caliphs established local bureaus in each territory to collect zakat and taxes. The Abbasid Caliphs directed serious attention towards raising the Caliphate's revenue, whether from zakat or other taxes (Aisyah, S. and Ismail, N., 2019).

They were very concerned about raising the Caliphate's revenue, since the government increased its spending on military services and public accommodations. Zakat was enforceable on Muslims, and agricultural land taxes and jaziyah were imposed on non-Muslims. The practice of zakat at that time was managed more efficiently than in preceding eras; this was especially true during the reign of Harun AlRashid who led a rapid expansion of the Caliphate (Al-Hasan, 2007).

He, forced many non-Muslim governments to pay agricultural land tax (kharaj) and jaziyah as a form of political repression. He attacked Constantinople (Istanbul, Turkey) the capital of the Byzantine Empire (Battle of Krasos 806 A.D.), after Nikephoros I, refused to pay the jaziyah imposed (Al-Hasan, 2007)

As the collecting function increased in complexity due to the rapid expansion of the Caliphate lands, AlRashid found it necessary to update the jurisprudence of Islamic fiscal policy. Thus, he demanded Chief Justice Abu Yusuf to define the rights and obligations between the Caliph and his citizens, and to explain the legality of collecting zakat, jaziyah and other taxes from extraterritorial areas (Pakeeza and Qadoos, 2017).

Abu Yusuf authored the book "Al Kharaj," which significantly advanced the domain of Islamic jurisprudence. In this work, he elucidated various issues concerning the role of the Caliph in the collection of zakat, the rights of beneficiaries, the characteristics of flat-rate taxation, and the crimes associated with zakat (Said and Jamarudin, 2023).

In summary, it can be asserted that the emphasis placed by the Abbasid Caliphate on the collection of zakat and taxation, in conjunction with the endeavors of Islamic

jurists to clarify zakat regulations, considerably fortified the implementation and practice of zakat over an extended period (Allami, 2015).

2.7.4.5 The Erosion of Zakat Compliance in the Ottoman Empire

The enforcement of zakat began to wane during the Ottoman Empire, when it shifted from being viewed as a mandatory tax to a voluntary charitable act. As a result, zakat became increasingly overlooked as a required obligation (Allami, 2015).

The 1867 Ottoman Tanzimat, also known as the Mithat Pasha Constitution, did not mandate the collection of zakat and made no mention of it. Instead, it introduced progressive taxes similar to those seen in contemporary Western systems, which effectively replaced zakat (Çilingir, 2019).

Article 20 stated that the evaluation and allocation of taxes should align with the wealth of each taxpayer, adhering to applicable laws and specific regulations. Consequently, only charitable organizations were eligible to receive zakat contributed through voluntary donations, transforming the payment of zakat into a charitable act rather than an obligation (Holland, 1963).

This raises several questions: Why did the Ottomans disregard zakat as a form of taxation, despite being a Muslim empire? Why did they view zakat as a charitable act rather than a mandatory tax? The answers to these questions can be traced back to two key historical events that contributed to the easing of zakat enforcement (Allami, 2015).

In the sixteenth century, following the signing of the 1535 Ottoman Capitulation, there was a noticeable easing of zakat enforcement. Suleiman the Magnificent reached an

agreement with King Francis I, granting the French residents in Ottoman territories certain privileges, including concession contracts aimed at safeguarding and restoring Christian holy sites (Bulut, 2020).

The Capitulation also allowed for the application of French law within Ottoman courts, enabling the French to benefit from special privileges and protection under their own legal system in Ottoman lands (Allami, 2015), (Bulut, 2020).

Furthermore, as French trade expanded into Egypt, Lebanon and Syria, the reach of French jurisdiction also extended into Arabia and Africa (Allami, 2015). Consequently, during this period, the growing presence of French and European populations in Ottoman territories led to the simultaneous application of both Ottoman and French laws. According to Assaf Likhovski, “Ottoman law was a blend of Islamic and French norms,” and with the swift expansion of businesses, Ottoman officials became increasingly focused on boosting government revenues through elevated commercial tax rates, which ranged from 5% to 12.5% (Allami, 2015).

Ultimately, zakat became applicable exclusively to Muslims and ceased to function as a tax governing the broader public. Additionally, there was an intellectual shift influenced by colonialism, as Ottoman statesmen and legislators began to adopt European legal philosophies and Roman jurisprudence. This intellectual exchange significantly impacted their legal philosophy and concepts of social justice (Craig, 2012).

Simultaneously, there was no comparable initiative within Islamic states, whether in Arabia or Africa, to meaningfully update the jurisprudence surrounding Islamic law.

Zakat, as a form of non-codified taxation, was neither elucidated nor interpreted in a manner that aligned with established written tax legislation (Craig, 2012).

The absence of formalized zakat laws and updated interpretations of its principles and regulations was notable, particularly in contrast to the existing European and Ottoman taxation codes. Zakat was largely disregarded as a significant subject within legal scholarship, and its jurisprudential interpretations failed to conform to the standards set by Western tax laws. As a result, policymakers and legislators overlooked the necessity of formalizing zakat within legal frameworks, treating it merely as an inconsequential tax (Craig, 2012).

During the late Ottoman period, Muslims primarily engaged in zakat as a personal religious obligation, akin to almsgiving or charitable acts. In Mecca and Medina, zakat was distributed directly to those in need by individuals, rather than being managed by the Ottoman governor (Lessy, 2013).

2.7.4.6 Contemporary Zakat Practices Currently

Among the 57 countries in the Organization of Islamic Cooperation, only a small number view zakat as a tax, while the majority considers it to be a form of charitable giving. As a result, there are three distinct contemporary practices of zakat (Diana et al., 2020).

States that do not implement zakat

States with a formal organization for the collection of zakat as charity

States that mandate zakat as taxation

Syria, Morocco, and Oman are examples of nations that lack enforcement policies or official entities for collecting zakat.

Paying zakat in these circumstances is considered an act of charitable giving and is typically carried out within the Islamic community through distribution by imams at mosques or informal donations to those less fortunate (Lubis et al., 2019).

When considering Zakat taxation has some important differences from obligatory taxes; it serves primarily as a charitable contribution rather than mandatory government revenue. The informal nature of these practices can blur the lines between concepts like alms, potentially leading to misuse, such as financing terrorism or money laundering. This raises questions about their legitimacy, especially when considered solely within the framework of the tax system (Cohen, 2017).

The second category of states has established official institutions dedicated to the collection of zakat, which serves as a form of charity. This process resembles traditional charitable practices but is conducted through formal channels. Countries like United Arab Emirates, Bahrain, Qatar, Egypt, Kuwait, Indonesia and Jordan utilize organizations such as the Zakat Foundation of America to collect zakat. While payment is not compulsory as it is in the first category, these institutions may still implement measures—such as laws or penalties—to encourage compliance among those who attempt to avoid payment (Yasni and Erlanda, 2020).

Additionally, Indonesia's Islamization movement aimed at making zakat payments compulsory to authorities rather than directly to recipients. It sought a transformation

from voluntary to obligatory contributions and led to the establishment of Forum Zakat during President Suharto's 'New Order' era (1967-1998) (Alim, 2015).

However, the Ministry of Religious Affairs opposed this approach on grounds that associating zakat with taxation would diminish its spiritual significance.

This disagreement was resolved with the Council of Ulama affirming that although both are duties—mandated by Allah and required by state respectively—they serve distinct purposes:

resulting in Indonesian Zakat Law No. 38/1999 which regulates government-sponsored zakat agencies managing collection from payers according to Article 12 (Allami, 2015).

The Zakat Law in Indonesia does not mandate zakat or penalize those who do not pay it. While there was a proposal to impose zakat on bank accounts and profits, it was rejected. As a result, the practice of zakat in Indonesia is considered voluntary and overseen by official institutions (Alim, 2015).

In 2003, the Minister of Finance issued Decree No. KEP.650/MK/11/5/1976, which permitted tax deductions for zakat payments in order to prevent double taxation (Allami, 2015).

Several countries enforce zakat as a mandatory tax. For instance, Pakistan imposes a levy of 2.5% on declared fixed financial assets, while Sudan enforces zakat as an obligatory levy within the African context. Additionally, Saudi Arabia recognizes zakat as a form of taxation within the Arab Gulf region (Allami, 2015).

These nations have established legal frameworks to facilitate the collection of zakat and to penalize those who evade compliance. In Pakistan, the collection occurs at the source from eleven specific categories of assets, as delineated in the Zakat Laws, and is administered by the relevant governmental department (Allami, 2015).

The zakat collected is subsequently transferred to the Provincial Zakat Councils, which allocate the funds for various initiatives, including Islamic educational institutions, healthcare facility rehabilitation programs, marriage assistance schemes, and scholarships for girls' education as well as technical education institutions (Al-Salih, 2020).

Zakat was institutionalized in Saudi Arabia when King Abdul Aziz established the Kingdom and declared Islamic principles as the foundational basis of Saudi legislation. The Department of Zakat and Income Tax was established on June 14, 1951, through Ministerial Resolution No. [insert resolution number], with the mandate to oversee zakat collection. Since its inception, the responsibilities of the Department have included the management and collection of zakat from both Saudi citizens and companies, as well as from individuals and entities within the Cooperation Council for the Arab States of the Gulf (Al-Salih, 2020).

Furthermore, the department is also tasked with administering and collecting income tax from non-Saudi investors residing in the Kingdom, resident Saudi companies with shares held by non-Saudi partners, and non-resident companies conducting business within the Kingdom, whether through a permanent establishment or by earning income from sources located within its borders (Diana et al., 2020).

2.7.5 Zakat Sources

This subsection delineates the origins of zakat, underscoring the importance of the Quran and the teachings of Prophet Muhammad as primary sources. It subsequently addresses the secondary sources, which encompass ijma' (consensus), qiyas (analogy), and fatwas (Jami Al Tirmizi, 2023).

2.7.5.1 The Primary Sources

The primary sources of zakat are the Quran and the teachings of Prophet Muhammad. The Quran establishes the obligation of zakat and elucidates the rationale for its implementation, while the statements of the Prophet delineate the rules and instructions for its practice. Collectively, these foundational texts possess the highest authority in defining the obligations and guidelines for the giving of zakat (Allami, 2015).

The Quran

The Holy Quran serves as the fundamental and most revered source of Islamic law, representing divine guidance for Muslims. It is regarded as the word of Allah, revealed through the Angel Gabriel to the Prophet Muhammad over a span of 23 years, from the commencement of Muhammad's preaching until his passing (Allami, 2015).

Scholars unanimously agree that the Quran must be preserved in its original Arabic, as this is the language in which it was revealed. Consequently, translations of the Quran are viewed as interpretations and explanations rather than authentic representations of the Quranic text (Allami, 2015).

The Quran consists of 114 chapters, known as suras, with 87 originating from Mecca and the other 27 from Medina. The Meccan suras, which were revealed during the

formative years of Islam, focus mainly on spiritual themes, including beliefs and disbelief, the afterlife, practices like prayer and fasting, almsgiving, and stories of Prophets such as Abraham, Moses, Joseph, and Jesus (Allami, 2015). On the other hand, the Medinan suras primarily deal with practical legal matters, addressing issues related to marriage and divorce, inheritance, contracts, criminal law, and the requirement of zakat (Allami, 2015).

Consequently, the majority of chapters and verses in the Quran focus on guiding the moral and ethical consciences of individuals rather than establishing legal regulations. The term 'zakat' is referenced 32 times throughout its verses (Allami, 2015).

For instance:

- “[T]hey perform prayers, and the zakat, and obey God and His Messenger. God will have His Mercy on them...”

- “If they repent, perform prayers and pay zakat, then they are your brethren in religion.”

- “Those who perform prayers and pay zakat, and they bow down to God in their prayers. And whosoever takes God, His Messenger, and those who have believed, as protectors, then the party of God will be the victorious.”

- “Take zakat from their wealth to purify them and sanctify them with it and invoke God for them.”

- "Zakat's revenue must be distributed for the poor, needy, zakat administrators, reconciled persons, slaves, debtors, soldiers, and travelers" (Allami, 2015).

It is challenging to ascertain whether the Quran functions as a book of rules, as it presents detailed regulations in certain areas, such as inheritance and contracts. Conversely, other matters are mentioned in a more general context, necessitating the Prophet Muhammad's role in articulating specific guidelines. Zakat is a requirement imposed by the Quran, with rules developed through the Prophet's teachings (Allami, 2015).

This will be explained as follows.

Prophet Muhammad's Statements

The teachings of Prophet Muhammad are considered the second most important foundation of Islamic law. Followers of Islam are required to adhere to his teachings, as stated in the Quran: "And whatever the Messenger gives you, take it; and whatever he forbids you, abstain from it." Muslims must have faith that these teachings were divinely inspired by Allah, although the exact words and actions are attributed to the Prophet himself (Allami, 2015).

It is noted that Prophet Muhammad does not speak from personal inclination; rather, what he conveys is a revelation bestowed upon him. His statements can be categorized into three types: verbal, physical, and implied approval.

Initially, the spoken words of the Prophet, which include his verbal teachings, established the foundations, rates, and procedures for both the distribution and collection

of Zakat. For example, ‘No double paying in zakat, and ‘Zakat rate of gold and silver is 2.5%.

Second, physical movements, like how Prophet Muhammad was praying and practicing other acts of worship.

Third, implied approval, which refers to the Prophet’s silence or tacit approval regarding deeds, which occur with his knowledge. For example, when Muhammad’s companions ate zebra, he did not censure them, and so that is considered implied approval (Allami, 2015).

The main role of Prophet Muhammad’s statements in regard to zakat are to demonstrate that he regulated the issues that the Quran constituted. They ‘had the important function of clarifying the ambiguities, and if necessary, abrogating verses, in the Quran.

The Quran enacted zakat through verse ‘Take zakat from their wealth. It determined its basic tenets, such as the imposition of zakat, the governmental duty to collect and disburse. Then, Prophet Muhammad explained and instructed other basics of zakat. So, statements and reports were issued by him to codify the Quran’s verses, and to regulate other rules of zakat. For example, after the Quran ordered Muslims to pay zakat – ‘perform prayers and pay zakat...’ – Prophet Muhammad clarified that, ‘No double paying in zakat and the ‘Zakat rate of gold and silver is 2.5% (Allami, 2015).

The successful interpretations of Prophet Muhammad’s statements depend on their clarity or vagueness. There are statements that are not subject to interpretation, because they are clear and not in need of further construction. For example, the ‘Zakat

rate of gold and silver is 2.5%. This does not attract attempts at estimation for it is articulated clearly that the gold and silver zakat rate is 2.5% (Allami, 2015).

However, there are statements that are open to interpretation, like when Prophet Muhammad said: ‘Zakat will be taken by force from evaders and those who instigate evasion, besides half of their wealth as sanction. It is not clear here whether the ‘half of their wealth’ is only half the value of the zakat base or half the entire fortune of the evaders.

Therefore, this needs further interpretation by jurists to determine what Prophet Muhammad intended to regulate. In fact, it is always recommended to interpret the Prophet’s statements after examining an historical occasion, and the socio-economic circumstances surrounding the statements.

2.7.5.2 The Secondary Sources (Ijtihad)

Secondary sources of Islamic law comprise three sources. These sources are, in chronological order: ijma’, qiyas and fatwas. They are the outcomes of jurists’ interpretations.

Ijma

Ijma’ is the consensus of qualified Islamic jurists of a given generation on a particular contentious issue. If a debate was raised and all Islamic jurists held the same opinion about its resolution; this agreement is considered ijma’ and constitutes a third source of the Islamic law, thus, ijma’ can be considered as a source of zakat regulations when the following two conditions exist (Ahmed and Manj, 2020).

First, all the Islamic jurists must agree about the solution with no exception (whether they are Sunni, Shii, Sophist, etc.).

If there is any disagreement, even if it is a minority one, it would no longer be considered ijma'.

Second, this consensus must have existed for a sufficiently long period of time to attain assurance that all jurists have agreed on the issue.

However, practically speaking, there is no longer any new ijma', as it requires consensus between all jurists from different schools, which is very difficult to obtain. Hence, Abdulwahaab Khalaaf asserts that jurists have not provided ijma' since the early history of Islamic law. And Abdullah Ibn Hanbal says that, 'whoever claims Ijma' (consensus) between all jurists is a bluffer (Fauzi, 2019).

Despite the ongoing discourse, ijma' cannot be acknowledged within the context of zakat, as contemporary Islamic states have established their own fiscal policies. As a result, jurists frequently align their interpretations with the policies of their respective states. Although ijma' is theoretically considered the third source of Islamic law, it cannot be regarded as a significant source for zakat (Allami, 2015).

Qiyas

Qiyas, which is the fourth source of Islamic jurisprudence, involves using logical reasoning based on the foundational texts of the Quran and the teachings of Prophet Muhammad. It can be defined as "a process of logical reasoning that extends a known injunction to a new injunction." In the practice of qiyas, jurists identify a well-established rule from the Quran or a statement made by the Prophet (asl) and apply it to a situation

that is not explicitly addressed in these texts (far'), based on the shared underlying principle or rationale (illah) with the established rule (Allami, 2015). For example, while the prohibition of alcohol is explicitly stated in the Quran (asl), the status of substances such as opium and heroin is not directly mentioned in the Quran or the teachings of the Prophet (far') (Siddiqi and Chishti, 2020).

As a result, legal experts broaden the ban on alcohol to encompass opium and heroin due to their shared impact on the human mind (illah). The importance of qiyas is especially clear in discussions about zakat. For example, since Prophet Muhammad identified dates and raisins as subject to zakat (serving as a precedent), Al-Shafi'i contends that rice should likewise be considered, as all these items are classified as commodities (Allami, 2015).

Furthermore, Al-Qaradawi emphasizes the importance of income as a foundational element, noting that Prophet Muhammad recognized income derived from agricultural lands as a basis for zakat (Siddiqi and Chishti, 2020).

Fatwas

Fatwas are essentially advisory opinions or consultations offered by qualified Islamic jurists and can be classified into three main types: personal, jurisprudential, and official.

The first type, personal fatwas, is provided by a qualified jurist to assist individuals with specific issues, especially those related to religious practices (Allami, 2015). For instance, a person with diabetes who seeks guidance on whether they can fast during

Ramadan, or a student in a non-Islamic country asking about prayer timings, would receive personal fatwas. These fatwas are tailored to individual circumstances and are not meant for broad application (Allami, 2015).

The second category, jurisprudential fatwas, is commonly found within academic works, including essays, theses, and books. Notable references in this category include the works of Ibn Qudamah and Ibn Taymiyyah, which are widely acknowledged as significant jurisprudential fatwas in Saudi Arabia. These scholarly studies serve as interpretative resources for legislators, statesmen, and judges, although they do not constitute formal laws (Allami, 2015) ,(Alwazna, 2016).

The third type, known as official fatwas, are released by esteemed institutions like the Saudi General Presidency of Scholarly Research and Ifta, the Organization of Islamic Cooperation (OIC), and the Muslim World League. These formal recommendations or reports are created by groups of legal scholars and seek to provide guidance to the public on societal matters or to reinforce religious tenets. For example, the Muslim World League has advised governments to refrain from investing zakat funds (Allami, 2015),(Alwazna, 2016).

It is crucial to understand that official fatwas are not regarded as enforceable laws or regulations, even when they come from established authorities. In Saudi Arabia, jurists are accountable for their official fatwas and could encounter repercussions such as being fired, criticized, or required to publicly apologize if they deliver unconventional or erroneous decisions. Unlike legislators, jurists who provide official fatwas do not enjoy legislative immunity (Allami, 2015).

Islamic jurists develop fatwas utilizing the principles of *Usul Al-Fiqh*, which translates to "the origins of jurisprudence" and is often referred to as "Islamic legal theory." This methodological framework assists jurists in navigating contentious and debated aspects of Islamic law. For example, the obligation of zakat is universally acknowledged as one of the five pillars of Islam, and thus is not subject to questioning (Allami, 2015).

Wael Hallaq articulates that "Usul Al-Fiqh equipped jurists with a methodology that enabled them not only to resolve new cases but also to articulate and uphold existing laws. Even established solutions to traditional issues were continually re-evaluated and reasoned anew." Usul Al-Fiqh serves as a systematic approach for deriving legal rules from the Quran and the sayings of Prophet Muhammad, leading to *ijma'* (consensus) or *qiyas* (analogical reasoning) (Allami, 2015).

When legal scholars explore the zakat obligations for minors, their first step is to consult the Quran, which serves as the foundational text of Islamic law. If they do not find clear instructions there, they will refer to the teachings of Prophet Muhammad, which are the second key source. If no definitive guidance emerges from these sources, they will strive to achieve *ijma'* (consensus) among Islamic scholars on the matter. In cases where consensus is unattainable or if *qiyas* (analogical reasoning) is not applicable, they will formulate a fatwa—an interpretation or recommendation—rooted in Islamic principles that are consistent with the Quran and the teachings of the Prophet. Additionally, these fatwas should be practical and contribute positively to the well-being of the community (Allami, 2015).

The foundational principles of Usul Al-Fiqh were systematically articulated by Muhammad Al-Shafi'i in his seminal work, *Al-Risalah (The Message)*, around 813 A.D. Al-Shafi'i developed these principles through discussions with jurists from various schools concerning the methodology for deriving legal rulings from the Quran and the teachings of the Prophet. While Al-Shafi'i is often credited with organizing these concepts, it is important to recognize that he did not originate the methods for deducing laws; rather, he was the first to present them in a coherent and systematic manner. The chronological process of Usul Al-Fiqh had been intuitively understood by jurists and scholars prior to his writings (Allami, 2015).

2.7.6 Zakat Payers

This heading outlines the individuals responsible for paying zakat. It first explores the requirement of non-Muslims to pay zakat, comparing it with Muslims. Then, it discusses how persons lacking legal capacity (such as minors and those with mental impairments) are expected to fulfill their obligation regarding paying zakat. Finally, this section evaluates the potential imposition of zakat on public entities

2.7.6.1 Imposing Zakat on Non-Muslims

Imposing zakat on non-Muslims raises questions about religious freedom and the extent to which individuals should be subject to Islamic laws (Ali et al., 2022).

Zakat is a fundamental obligation for Muslims, as delineated in the Quran, which is regarded as the sacred text of Islam. Consequently, it is imperative for Muslims to adhere to this directive (The Zakat, 2003).

The act of paying zakat is perceived as an expression of devotion, akin to fulfilling other religious duties such as performing the five daily prayers, observing fasting during Ramadan, and undertaking the Hajj pilgrimage. Muslims willingly accept this responsibility, viewing it as an opportunity to attain divine blessings and mercy in return for their obedience (Jami Al Tirmizi, 2023).

The Quran contains numerous references to the performance of prayers and the payment of zakat, underscoring the significant nature of zakat as a duty alongside prayer. For instance, one verse indicates that those who repent, offer prayers, and pay zakat are considered brethren in faith (Allami, 2015). Additionally, the Prophet Muhammad emphasized the necessity of fulfilling both the obligations of prayer and zakat when addressing his followers (Daniel Liberto, 2022).

The religious dimension associated with the imposition of zakat provides a benefit to the system, as Muslims view their belief in the divine nature of the Quran as an internalized commitment driven by faith. Consequently, when state authorities enact or codify laws pertaining to zakat, such measures are perceived as justifiable and in accordance with natural law by Muslim adherents. However, this rationale does not extend to non-Muslims who do not share these beliefs or possess similar motivations to practice zakat (Bin-Nashwan et al., 2021).

It is essential to clarify that zakat must be paid by individuals who possess wealth, with the collected funds being distributed to those less fortunate. While zakat may appear to be a non-requirement for non-Muslims unless they convert to Islam, Al Qaradawi has put forth two arguments supporting the justification of imposing zakat on non-Muslims as a form of taxation (Allami, 2015).

To begin with, it could be fairer to have non-Muslims living in Islamic countries pay zakat instead of arbitrary taxes. Since zakat rates are usually low and set at around 2.5%, non-Muslims may find this option more appealing compared to progressive or higher taxes. A historical example is the Taglab, a Christian tribe that successfully requested Caliph Omar Ibn Al Khattab to permit them to pay zakat in place of other taxes, demonstrating that if non-Muslims must contribute, choosing zakat might be a preferable option (Cohen, 2017).

Milton Friedman, a distinguished American economist and Nobel Laureate in Economic Sciences, posited that a flat tax structure, as opposed to a progressive model, diminishes incentives for tax evasion. The statement suggests that zakat, which functions as a wealth tax in Islam, might be viewed as more acceptable by non-Muslims than progressive or high-rate taxation (Kuran, 2020).

Additionally, the distinction made between Muslims and non-Muslims regarding zakat payments could inadvertently lead to loopholes and temptations for tax evasion. If non-Muslims are exempt from any taxation, including zakat, this exemption might be seen as a privilege (Allami, 2015).

As a result, while non-Muslims might enjoy this exemption, Muslim citizens are obligated to meet their zakat responsibilities, which may increase the risk of tax evasion among them. For example, a Muslim might opt to marry a non-Muslim to transfer assets to the exempt spouse, illustrating how such disparities can be exploited (McGee, 2011).

On the other hand, if the government imposes higher tax rates on non-Muslims while Muslims benefit from lower zakat rates, this imbalance could encourage non-Muslims to find ways to evade these higher taxes. For instance, non-Muslim business owners might register their companies under Muslim names to avoid the increased tax burden or may partner with Muslims in their ventures to reduce their tax liabilities and take advantage of the more favorable tax rates (Allami, 2015).

This scenario indicates that the introduction of zakat for non-Muslims might serve as a fair compromise that would be more acceptable to them, potentially reducing tax evasion linked to the presence of two separate taxation systems (Ramli and Ghadas, 2019). Moreover, while the Quran and the Prophet's teachings do not explicitly forbid the application of zakat to non-Muslims, adjusting zakat regulations to better align with modern taxation practices could involve adopting more objective criteria (Allami, 2015).

For instance, in the United Kingdom, anyone who benefits from the protections of UK law—whether they are residents or non-residents with property in the UK—is considered a taxpayer. Similarly, in Egypt, both residents and non-residents with investments in the country are subject to income tax. By harmonizing taxpayer responsibilities, a fairer and more transparent system could be created (Allami, 2015).

2.7.6.2 The Position of Incapacitated Persons

In Islamic law, individuals who are incapacitated—such as minors, the insane, or those with mental disabilities—are exempt from certain acts of worship. This exemption includes the obligations of participating in Hajj, fasting during Ramadan, and giving zakat al-fitr (Allami, 2015).

Minors are considered physically incapable of enduring the demands of these religious practices, while individuals with mental disabilities often lack the awareness necessary to engage in them. Consequently, a pertinent question arises regarding the obligation of individuals with diminished capacity to pay zakat. Specifically, it is important to consider whether zakat is a mandatory practice for minors and those who are mentally incapacitated (Allami, 2015).

Ibn Hazm, along with the majority of Hanafi scholars, posits that individuals who are incapacitated should be exempt from the obligation of paying zakat due to their inability to make independent decisions. They argue that it is unreasonable to impose zakat on minors and individuals deemed insane, given their legal incapacity. Minors, who are below the age of legal maturity, and individuals with mental incapacities, who lack the capability and experience to navigate complex administrative processes such as assessments and appeals, are therefore regarded as incapable of fulfilling this obligation. This position is supported by a narration attributed to Prophet Muhammad, which states: "Three individuals are exempt from obligations: the person who is asleep until awakening, the minor until reaching adulthood, and the mentally incapacitated person until recovering sanity" (Allami, 2015).

Conversely, scholars such as Ibn Othaimeen and Al-Qaradawi interpret the issue in light of the Quranic injunction to "Take Zakat from their wealth." While they acknowledge that the verse does not explicitly exempt incapacitated individuals from the obligation of zakat, they maintain that the incapacity of minors and mentally ill individuals does not serve as a sufficient justification for their exemption. They particularly emphasize this argument in cases where these incapacitated individuals are under the care of guardians (Allami, 2015).

It is indeed illogical to view the incapacity of minors and the mentally ill as a valid reason for exemption when they are under guardianship. Scholars Ibn Othaimeen and Al-Qaradawi contend that the presence of guardianship negates the claim of incapacity for these individuals. They maintain that it is incorrect to apply the Prophet's later statement, which asserts that "individuals are not accountable for their obligations...the child until he reaches maturity, and the mentally ill until they regain their mental faculties," to those who are under guardianship.

The primary responsibility of guardians is to oversee and safeguard the interests of those they care for. Al Shafii points out that the Prophet Muhammad advised his companions to invest the wealth of orphans to prevent its decline due to zakat payments. This guidance implies that zakat is applicable to the assets of those who are unable to manage their own affairs. If the Prophet had not been concerned about the impact of zakat on these individuals' wealth, he would not have encouraged guardians to invest on their behalf (Allami, 2015).

Furthermore, during his role as the guardian for the underage members of the Raafee' tribe, Ali Ibn Ali Talib fulfilled the zakat obligation on their behalf by utilizing their assets over several years. This underscores that those under guardianship were not exempt from this duty. Allowing minors and individuals with mental disabilities to be exempt from paying zakat could open the door to misuse and evasion strategies (Allami, 2015).

Wealthy individuals may choose to give their wealth to their underage children in order to avoid paying zakat, while guardians can transfer their assets into the bank accounts of incompetent individuals deceptively benefit from exemption. This demonstrates that a taxed fortune could be exempt from zakat if minors and mentally incapacitated persons were treated differently under zakat law. Consequently, it could be contended that debilitated individuals should not be excused from fulfilling zakat obligations (Allami, 2015).

Zakat serves as a mandatory contribution aimed at enhancing social and economic welfare. There seems to be little justification for exempting wealthy minors or those with mental disabilities from this obligation (Allami, 2015). The reasoning that these individuals are unable or inexperienced loses its validity when a guardian is present to manage their affairs..

2.7.6.3 Should Public Bodies be Obligated to Pay Zakat?

Public agencies and governmental bodies are assigned specific funds aimed at improving the welfare of the community. For example, the Ministry of Higher Education dedicates its financial resources to support local universities and scholarship programs, while the Ministry of Transportation directs its budget towards public transit projects. Likewise, the Ministry of Defense uses its financial allocations to support military activities and various government initiatives (Al-Salih, 2020).

In Saudi Arabia, there are also non-ministerial and non-governmental organizations, such as the Capital Market Authority and the National Society for Human Rights, that focus on advancing public welfare rather than generating personal profit (Allami, 2015).

Public organizations with large budgets often face criticism for their exemption from zakat requirements, given their substantial financial resources. Al Qaradawi argues that these organizations should not be obligated to pay zakat since their assets and resources are not owned by individuals but are instead designated for the benefit of the community. Additionally, because public budgets do not have a specific owner accountable for zakat contributions, it seems unjust to impose such obligations on an entity that cannot be clearly defined (Allami, 2015).

The Qur'an stipulates that zakat must be paid from personal wealth, which presupposes individual ownership as a prerequisite for zakat liability (Allami, 2015). As a result, both Al Qaradawi and Ibn Othaimen assert that public trusts—like schools,

mosques, and orphanages—as well as funds from charitable organizations, are not subject to zakat (Nyazee, 2013).

In contrast, some scholars, including Ali AlBasri, a Shafi'i scholar, argue that public entities should be treated as legal entities and thus be obligated to pay zakat based on their financial resources. However, AlBasri's position has two notable flaws (Allami, 2015).

First, he erroneously interprets the 'freedom of disposition of budgets' as indicative of ownership by public bodies. Public entities often cannot utilize their budgets without oversight from the executive branch. Their funding allocations are typically governed by executive guidelines, which restrict their spending autonomy in comparison to private individuals or legal entities (Allami, 2015). Additionally, public organizations are frequently subject to scrutiny by legislative or higher executive authorities, such as the Saudi Auditing Bureau (Diwan Al Murakabah), further limiting their budgetary discretion.

Second, there is no compelling rationale for imposing zakat on public bodies. According to the report from the Thirteenth Conference, zakat payments by public entities would not yield additional socio-economic benefits, as these budgets are already earmarked for public welfare. The requirement for public bodies to pay zakat could adversely impact their spending plans due to reduced budget allocations, which may negatively affect the citizens intended to benefit from such expenditures (Allami, 2015). The necessary reallocation of their budgets could lead to inefficiencies that did not

previously exist. These two points collectively support the argument that public bodies should be exempt from zakat obligations.

2.7.6.4 Zakat: A Personal Tax or a Tax on Wealth?

In light of the considerations surrounding non-Muslims, individuals with disabilities, and public entities, it is imperative to assess whether zakat is classified as an individual tax or as a tax on wealth (Allami, 2015). Should zakat be perceived as an individual tax, the focus shifts to the identity of the contributor, thereby necessitating a more in-depth analysis. Conversely, if zakat is interpreted as a tax on wealth, it becomes essential to delineate what constitutes wealth in order to ascertain zakat liability (Allami, 2015).

The previous discussions underscore that Islamic scholars have concentrated on identifying both the religious affiliation and legal capacity of those obligated to pay zakat (Allami, 2015). Additionally, there has been considerable deliberation regarding whether institutions should be subject to zakat obligations. The points made depict zakat as a type of personal tax, highlighting the identity of those who contribute. Nevertheless, one could contend that zakat does not fit the wider definition of personal taxation, since it is not levied solely based on the payer's identity (Allami, 2015).

The term 'payers' in the context of zakat jurisprudence should not be broadened to consider them as the main entities responsible for zakat; instead, the emphasis lies primarily on wealth, a topic that will be discussed in further detail later. Payers are

simply individuals tasked with remitting zakat on their wealth and nothing beyond that (Allami, 2015). Zakat can fundamentally be classified as a tax on wealth, as it is conceivable that a non-Muslim or an individual deemed legally incapacitated may still be liable for zakat due to their possession of substantial wealth, while a mentally competent Muslim might not be obligated to pay zakat in the absence of significant assets (Johari, F. et al., 2014).

This argument lends credence to the notion of applying zakat to non-Muslims, suggesting that it is a misinterpretation to claim that zakat's focus is exclusively on the Islamic identity of the contributors. Moreover, had zakat been intended solely for individuals identifying as Muslims, Caliph Omar would not have imposed zakat on the Taglab, a Christian tribe (Craig, R. R., 2012).

It is equally significant to note that Islamic scholars recognize the potential for enforcing zakat on non-Muslims. In contrast to *zakatulfitr*, which mandates contributions solely from Muslims during Eid, the interpretation of zakat as either an individual tax or a tax on wealth has generated considerable debate among scholars (Weiss, 2020). Zakat specifically pertains to an individual's wealth, while *zakatulfitr* is directly related to the individuals themselves.

Regarding individuals who are unable to care for themselves, it has been suggested that such individuals may still be required to pay zakat, provided they have a legal guardian. This indicates that the zakat system does not place substantial emphasis on the legal capacity of the payers; rather, it focuses on taxing wealth irrespective of individual

identity. Had this not been the case, the Prophet Muhammad and Ali would not have undertaken efforts to collect zakat from incapacitated individuals under guardianship; instead, they would have exempted them. Thus, it can be concluded that zakat is a tax levied on wealth (Allami, 2015).

2.8 Summary

Human society theory, also known as social theory or sociological theory, is a broad framework that examines the interactions, structures, and dynamics within human societies. It seeks to understand the behavior of individuals and groups, as well as the social institutions and systems that shape society.

The theoretical framework of human society theory provides a lens through which the challenges and solutions related to the zakat system in Afghanistan can be analyzed. This framework encompasses various sociological perspectives, such as conflict theory, symbolic interactionism, functionalism, and rational choice theory, among others.

When applied to the zakat system in Afghanistan, human society theory highlights several key factors. It emphasizes the importance of raising awareness and education about zakat among the population, as well as establishing efficient collection mechanisms and addressing mismanagement and corruption.

The theory also emphasizes the need for clear criteria to identify eligible zakat recipients, and the integration of zakat programs with broader poverty alleviation strategies to promote economic development. Collaboration and engagement with key

stakeholders, such as government institutions, religious scholars, NGOs, and civil society organizations, are also crucial for the effective implementation of the zakat system.

Furthermore, human society theory emphasizes the significance of transparency, accountability, and the use of technology and innovation to enhance the zakat system's efficiency and impact. It also highlights the role of social cohesion, community engagement, research, and continuous evaluation in strengthening the zakat system.

In summary, human society theory provides a comprehensive framework to understand and address the challenges faced by the zakat system in Afghanistan. It emphasizes the importance of various factors, such as awareness, education, efficient collection mechanisms, transparency, accountability, collaboration, technology, social cohesion, and continuous evaluation, in developing effective solutions and enhancing the impact of the zakat system in Afghan society.

Here are a few additional points to further elaborate on the theoretical framework of human society theory:

1. **Social Structures and Institutions:** Human society theory recognizes the significance of social structures and institutions in shaping individual behavior and societal dynamics. When analyzing the zakat system in Afghanistan, it is important to consider how existing social structures, such as religious institutions, government agencies, and community organizations, influence the implementation and effectiveness of zakat.

2. **Power and Inequality:** Human society theory highlights the role of power dynamics and social inequalities in shaping social systems. In the context of the zakat

system, it is crucial to examine how power imbalances and inequalities within Afghan society may impact the distribution and collection of zakat funds. Addressing these power dynamics and ensuring equitable distribution of resources is essential for the system's effectiveness.

3. Cultural and Historical Context: Human society theory recognizes the importance of cultural and historical contexts in shaping social phenomena. When studying the zakat system in Afghanistan, it is necessary to consider the cultural values, norms, and historical factors that influence people's attitudes and behaviors towards zakat. This understanding can help tailor the system to the specific needs and cultural sensitivities of the Afghan society.

4. Social Change and Adaptation: Human society theory acknowledges that societies are constantly evolving and undergoing social change. This perspective can inform the zakat system's adaptability to changing circumstances in Afghanistan. It emphasizes the need to regularly reassess and adapt the system to meet the evolving needs of the society, taking into account factors such as demographic shifts, economic changes, and political developments.

5. Social Interaction and Networks: Human society theory emphasizes the role of social interaction and networks in influencing individual behavior and societal outcomes. In the context of the zakat system, understanding the social networks and relationships within Afghan communities can help identify effective channels for zakat collection and distribution. It can also facilitate community engagement and support for the system.

6. **Social Integration and Solidarity:** Human society theory recognizes the importance of social integration and solidarity in maintaining social cohesion. The zakat system can contribute to fostering solidarity and social cohesion by redistributing wealth and promoting a sense of collective responsibility. By considering how the zakat system strengthens social integration and solidarity, its impact on Afghan society can be better understood and enhanced.

7. **Socialization and Norms:** Human society theory emphasizes the role of socialization and social norms in shaping individual behavior. In the case of the zakat system, understanding the cultural and religious norms surrounding zakat in Afghanistan is crucial. Examining how individuals are socialized to perceive and fulfill their zakat obligations can provide insights into the challenges and potential solutions for increasing compliance and participation.

8. **Social Cohesion and Conflict Resolution:** Human society theory recognizes the importance of social cohesion and the management of conflicts within a society. The zakat system, when effectively implemented, can contribute to social harmony by addressing economic disparities and promoting social justice. By fostering a sense of fairness and equity, the zakat system can help mitigate conflicts arising from economic inequalities and contribute to conflict resolution in Afghan society.

9. **Social Movements and Advocacy:** Human society theory acknowledges the role of social movements and advocacy in bringing about social change. In the context of the zakat system, advocacy efforts can play a crucial role in raising awareness, influencing public opinion, and mobilizing support for the system. Engaging with civil

society organizations, religious leaders, and other influential stakeholders can help create a favorable environment for the zakat system and drive positive change.

10. Global Perspectives and Cross-Cultural Comparisons: Human society theory encourages a global perspective and cross-cultural comparisons in understanding social phenomena. Exploring how zakat systems operate in other countries and comparing them with the Afghan context can provide valuable insights. By drawing on successful practices and lessons learned from other nations, the zakat system in Afghanistan can be further refined and improved.

11. Economic and Political Factors: Human society theory acknowledges the influence of political and economic factors on social systems. In the case of zakat, considering the economic conditions of Afghanistan, such as poverty rates, unemployment, and economic disparities, is essential for understanding the challenges and potential solutions. Additionally, analyzing the political landscape and policy frameworks that support the zakat system can identify opportunities for strengthening its implementation.

12. Ethical and Moral Considerations: Human society theory recognizes the importance of ethical and moral considerations in shaping social systems. In the context of zakat, the adherence to Sharia principles and ethical guidelines is fundamental. Analyzing how ethical values and moral obligations intersect with the zakat system in Afghanistan can provide insights into the challenges and solutions from a normative perspective.

By considering these additional points within the theoretical framework of human society theory, a more comprehensive understanding of the zakat system in Afghanistan can be developed. This understanding can inform strategies and policies to address challenges, strengthen implementation, and enhance the system's impact on Afghan society.

The conclusion of the chapter effectively clarifies the concept of zakat by exploring its definition, historical background, sources, and the individuals obligated to pay it. It provides historical evidence to affirm that zakat is a mandatory levy, positioning it as a form of taxation. Additionally, the chapter asserts that imposing zakat on non-Muslims and individuals under guardianship is not inappropriate, while arguing against its application to the budgets of public entities. Ultimately, the chapter concludes that zakat is a tax on wealth rather than on individuals.

In the next chapter, the methodology of the research will be demonstrated. Methodological frameworks, including clarifications of the models in a detailed way, shall be elaborated. These frameworks will help with the estimation of the various objectives of the study. Detailed procedures shall be included, in order to reassure the possibility of reproducing the study and research. The research design will be elaborated, and its framework will answer the research questions. The methodology chapter will also include analysis, measurement as well as selection and collection of the data. Various data treatments will also be included. Furthermore, a section related to research design limitations will be highlighted as well.

CHAPTER III

METHODOLOGY

This chapter aims to provide detailed explanations of the methodological frameworks used in this research. These frameworks are essential for estimating and evaluating the different objectives of the study.

This chapter will begin with an overview of the research problem, which will be followed by a section dedicated to operationalization of theoretical constructs. The operationalization of theoretical constructs will demonstrate the results from the literature review and serve as the basis for upcoming empirical research. Within this chapter, there will be a section dedicated to necessary definitions which will be the foundation of the research design; the utilized models will be clarified systematically, expand academically by incorporating the principles of Zakat and examining the zakatable wealth in terms of amount and their ratio, Zakat on Income from labor and professions, Zakat on assets of trade which is cover the Balance sheet elements such as assets, liability and equity, also Zakat on minerals, Animal Products, Zakat on building and Factories, Zakat on Shares and bonds and Zakat on business inventories.

This analysis aims to highlight the significance of these factors within the context of our research.

After this section, the research purpose and questions will be demonstrated once again. Following that, the research design section will expand on the framework used to answer these research questions. The research design serves as a blueprint for the study,

outlining essential components such as analysis techniques, measurements, and data collection methods.

Following the research design, a comprehensive section will be dedicated to population and data sampling. In this section, the chosen sample will be defined, accompanied by a clear rationale explaining its representativeness and relevance for the study. Detailed procedures for data collection will then be provided to ensure the replicability of the study. Appendices will also include various detailed components related to data collection and calculations, among others. A separate section focused on data analysis methodology will be presented in which the detailed process of conducting data analysis including various treatments will be described. Lastly, this chapter concludes with a section addressing limitations of the research design along with final remarks.

3.1 Overview of the Research Problem

The limited availability of literature on the Zakat system in Afghanistan poses a significant challenge for researchers. As a result, this study relies heavily on acclaimed religious scholars from the Islamic world. Undertaking such research is crucial as it marks the first comprehensive exploration of its kind in Afghanistan. Nevertheless, it is important to acknowledge that this study encounters certain drawbacks and constraints that warrant attention.

The limited literature on the Zakat system in Afghanistan presents a formidable hurdle for researchers interested in this subject. This scarcity of scholarly work hampers

their ability to obtain reliable and thorough insights into the functioning of the Zakat system in Afghanistan.

Furthermore, it is important to consider a wide range of perspectives when conducting research on the Zakat system in Afghanistan. While religious scholars provide valuable insights, their writings may not fully capture contemporary viewpoints or regional nuances specific to Afghanistan. In order to thoroughly assess the efficiency and effectiveness of the system relative to other countries, it is necessary to have access to diverse literature that examines this topic comprehensively. Unfortunately, there is currently a lack of extensive literature available on the Zakat system in Afghanistan for comparative analysis purposes.

Moreover, the absence of literature on the Zakat system in Afghanistan prevents a comprehensive understanding of its impact on socio-economic empowerment in Muslim countries (Lestari et al., 2022).

To address this gap, it is imperative for researchers to undertake comprehensive studies and compile literature that specifically examines the Zakat system in Afghanistan. Such efforts will facilitate a deeper understanding of the Zakat system within the Afghan context, its implementation challenges, and its potential for fostering socio-economic empowerment. Currently, there exists a notable deficiency in comprehensive literature regarding the extent to which Zakat has contributed to the socio-economic empowerment of Muslim countries. Nonetheless, it is crucial to acknowledge that advancements have been made in other facets of Zakat, including the Sharia governance framework governing Zakat management and the facilitation of Zakat payments through Islamic

banking. Despite these developments, a significant gap remains in the literature concerning the role of Zakat in the socio-economic empowerment of Muslim countries.

This lack of literature hampers the ability to make informed policy decisions and implement effective strategies for socio-economic empowerment. Therefore, it is imperative that scholars and researchers invest their efforts in conducting more in-depth studies and literature reviews to fill this gap.

Furthermore, the lack of literature on the Zakat system in Afghanistan not only hinders the research process but also limits the knowledge and understanding of policymakers and stakeholders in effectively harnessing the potential of the Zakat system for socio-economic empowerment. It is evident that there is a significant gap in the literature regarding the Zakat system in Afghanistan.

3.2 Operationalization of Theoretical Constructs

Taking the literature review and its finding into consideration, both academic researches as well as what is practiced by professionals in other countries. Taking into consideration the literature review and findings from academic research, as well as best practices observed in other countries, there is a need for operationalizing the theoretical constructs of the zakat system in Afghanistan.

This will involve developing practical strategies and mechanisms for the collection, management, and distribution of zakat funds in a way that aligns with Islamic principles and addresses the specific needs and challenges of the Afghan context. Fortunately Islam establish the principle for zakat over 1400 years ago. by implementing the principle of

zakat in Afghanistan, we can work towards achieving a more equitable distribution of wealth and alleviating poverty. To achieve this goal, it is crucial to modify the current legislation governing the zakat sector structure (Hamzah & Zainal, 2022).

Principle of zakat the principle of zakat is rooted in the Islamic faith and serves as a means of wealth redistribution, poverty alleviation, and social justice.

The operationalization of the theoretical constructs of the zakat system in Afghanistan requires a comprehensive approach that encompasses a range of factors. This includes:

1. Developing a clear and standardized framework for determining zakat obligations, including the nisab threshold and calculation methods that reflects the economic realities of Afghanistan and ensures fairness and consistency in zakat payments.
2. Establishing a transparent and accountable institutional framework for zakat collection, management, and distribution.

This framework should include clear guidelines for the registration and accreditation of zakat collection institutions, as well as mechanisms for monitoring and auditing their operations to ensure compliance with zakat principles and prevent misuse of funds.

3. Designing effective mechanisms for the administration and collection of zakat funds in Afghanistan, including utilizing modern technology and digital platforms to facilitate zakat payments and enhance efficiency and convenience for donors.
4. Implementing a robust zakat education and awareness campaign to promote understanding of the importance of zakat and encourage voluntary compliance among individuals and businesses.

Furthermore, it is crucial to enhance the collaboration and coordination among governmental bodies, zakat institutions, and other relevant stakeholders. This will ensure a more effective implementation of policies and procedures for collecting and distributing zakat. By strengthening these partnerships, we can maximize the impact of zakat on economic development initiatives and poverty alleviation. Additionally, revisiting current practices and management approaches will provide valuable insights for reforming the system in order to address contemporary challenges related to secularism while staying true to the guiding principles outlined in religious texts such as Quran and Sunnah. Applying comprehensive poverty alleviation strategies at both local and global levels requires a well-informed approach that takes into account successful past experiences with zakat distribution models around the world.

Understanding the concept of Zakatable Wealth and its importance is crucial for every Muslim individual, as it not only fulfills a religious duty but also promotes economic stability and social justice within the community.

3.3 The Significance of Zakatable Wealth:

Zakatable Wealth encompasses all types of assets that have reached the minimum threshold, known as Nisab, which varies depending on the value of gold or silver. This includes cash, savings, investments, property, and business assets. By recognizing the importance of Zakatable Wealth, readers can gain a deeper understanding of their financial responsibilities towards society and the less fortunate.

1. Fulfilling Religious Obligations:

Zakat is a mandatory act of worship for Muslims, carrying immense spiritual rewards. By fulfilling this duty, individuals demonstrate their obedience to Allah's commandments and strengthen their relationship with the Almighty. Understanding the concept of Zakatable Wealth enables readers to determine their financial obligations accurately, ensuring the fulfillment of this essential pillar of Islam.

2. Economic Stability and Wealth Redistribution:

Zakat plays a vital role in promoting economic stability and reducing wealth inequality within the Muslim community. By giving a portion of their wealth to those in need, individuals contribute to the redistribution of wealth, ensuring a more equitable distribution of resources. Understanding Zakatable Wealth empowers readers to assess their financial capabilities and make informed decisions regarding the amount they should contribute, ultimately fostering a more balanced economy.

3. Social Justice and Empathy:

Zakat serves as a mechanism for fostering social justice and empathy within the community. By giving Zakat, individuals acknowledge their responsibility towards the less fortunate and actively participate in poverty alleviation and community development. Understanding Zakatable Wealth encourages readers to develop a compassionate mindset, promoting a sense of solidarity and empathy towards others, regardless of their socioeconomic status.

4. Personal Growth and Self-Purification:

Zakat holds transformative power not only for the recipient but also for the giver. By giving a portion of their wealth, individuals purify their souls and detach themselves from

the love of material possessions. This act of selflessness cultivates gratitude, humility, and contentment, leading to personal growth and spiritual fulfillment. Understanding Zakatable Wealth allows readers to embrace this transformative journey, experiencing the profound impact of generosity on their own lives.

Understanding Zakatable Wealth is essential for every Muslim individual, as it encompasses not only the fulfillment of a religious obligation but also the promotion of economic stability, social justice, and personal growth. By recognizing the significance of Zakat, readers can contribute to the betterment of society, uplift the less fortunate, and experience the spiritual rewards that come with fulfilling this noble duty.

3.4 Principles of Zakat

In Arabic, the term "Zakat" refers to growth, increase, and the cleansing of both one's spirit and finances. It is recognized as the fourth essential pillar of Islam, which is built upon five core tenets. Zakat is a vital element of the Islamic economic framework. This obligation was instituted as a mandatory religious practice in the second year of Hijrah, around 580 AD. The significance of Zakat is emphasized in many verses throughout the Holy Qur'an.

The following verses exemplify references to Zakat:

"And be steadfast in prayer: Give Zakat and bow down your heads with those who bow down" (Qur'an, Chapter 2: 43).

"Of their wealth take alms (Zakat) that so the mightiest purify and sanctify them; and pray on their behalf" (Qur'an, Chapter 9: 103).

"Eat of their fruit in their season but render the dues that are proper on the day that the harvest is gathered" (Qur'an, Chapter 6: 141).

Various verses within the Qur'an serve to establish the obligation of Zakat, while the teachings of the Prophet Muhammad (peace be upon him) elucidate its roles and principles. Both the Tawrat (Torah) and the Bible have similarly urged the faithful to engage in acts of charity, which form a component of Zakat (Ahmed Yahya, 1986).

Indeed, the Qur'an indicates that prophets Ismail, Isaac, and Jacob—who preceded the advent of Islam—were all commanded to fulfill the duty of Zakat. Furthermore, Jesus is quoted in the Holy Qur'an as stating:

"I am indeed a servant of Allah; He has given me Revelation and made me a prophet, and He hath made me blessed wheresoever I be, and hath enjoined on me prayer and Zakat as long as I live" (Qur'an, Chapter 19: 30-31).

3.4.1 Zakatable Wealth in terms of Amount and Their Ratio

Zakat is an obligatory contribution that individuals must make when they reach a certain level of wealth.

This obligation stems from the principle of Zakat in Islam, which emphasizes the fair distribution of income and wealth. According to Islamic teachings, Zakat applies to a specific and obligatory portion of one's wealth (Mallick, D, 2021). The specific amount of wealth that qualifies for Zakat varies depending on the type of asset and its value. For

example, in the case of cash and savings, Zakat is payable if the amount exceeds a minimum threshold known as Nisab.

There is extensive discussion surrounding the various types of zakat, including zakat on livestock, zakat on gold and silver, and zakat on agriculture (Fatimah and Susetyo, 2019) (Ag Omar et al., 2021). However, in today's society, most people primarily focus on Zakat payable on trade, business inventory, and savings or investment accounts. I have chosen to use these examples as they represent the most prevalent forms of wealth that individuals accumulate in contemporary times.

3.4.2 Zakat on income from labor and professions

Labor constitutes a significant source of income in contemporary society, manifesting in the form of earnings from independent professional endeavors or wages received by laborers. The question of zakat on income derived from labor and professions is a subject of ijhtihad, which pertains to the interpretation and application of Islamic law grounded in the Quran and Sunnah (Imamah and Priyono, 2023). The assessment of zakat on such income adheres to the guidelines established by these sacred texts. As noted by Abu Bakar and Abdul Rashid, zakat on income from labor and professions is characterized as "an Islamic levy on personal income derived from sources or activities that involve labor, including professional fees, labor compensation, salaries, wages, bonuses, grants, gifts, dividend income, and similar forms of remuneration" (Doktoralina and Bahari, 2017).

3.4.2.1 Zakat on personal income

Income from labor refers to the earnings obtained through employment, whether it is on a consistent or intermittent basis, involving various types of manual or intellectual work. Another form of income pertains to self-employment, such as the revenue generated by medical professionals like doctors or individuals operating a CPA firm.

According to the consensus of Islamic jurisprudence, Zakat is a mandatory obligation that applies to all forms of income. There is a difference of opinion regarding whether Zakat should be paid after one year has passed since earning the income or if it should be paid immediately upon collection. According to the sources, zakat on income is considered obligatory for all forms of income, whether gained through employment or self-employment.

The classification of income for zakat purposes is based on the source of the income. The sources of income that are subject to zakat include income from labor, such as salaries, wages, and bonuses, as well as income from self-employment, such as income earned from a profession or business (Doktoralina and Bahari, 2017). The notion of livelihoods, understood as a foundation for value addition to activities that adhere to religious principles aimed at promoting human welfare, has emerged as a topic of discussion (Doktoralina et al., 2018). Additionally, income from investments, such as dividend income and rental income, is also subject to zakat.

Zakat on earned income is applicable to its net amount. Deductions are permitted for debts and the minimum standard of living for the income earner and their family, as these are considered essential needs. Consequently, zakat is only obligatory on a nisab that exceeds these essential requirements.

Zakat pool can be determined as follows:

$$Z=2.5\% (\text{Saving} - \text{Debit})$$

A Muslim employee receiving a monthly salary of 2,500 is seeking guidance on when and how much Zakat to pay, considering the current market value of gold at 6.33 per gram.

The minimum required amount is calculated to be 538.05, which is 85 times the salary of 6.33 per hour. According to Islamic law, zakat on income should be paid one year after receiving the first month's salary. If by the end of this year, savings accumulate up to 6,000 and there are no outstanding debts, the individual should pay 2.5 percent of that savings as zakat. However, if there are debts involved, zakat payment should be based on the net amount remaining after deducting those debts.

In this scenario, the Muslim employee should calculate their zakat payment based on their accumulated savings at the end of one year.

$$\text{Zakat payment} = 2.5 (6,000) = 150$$

If he owes 2,000 in debt his Zakat obligation is:

$$Z=2.5 (6,000 - 2,000) = 100$$

3.4.3 Zakat on assets of trade

It has been shown in the previous section that 2.5 percent has to be paid by every Muslim who, at the end of the year, owns a net pool of cash equal to or greater than the equivalent of 85 grams of gold. In this section the Zakat on assets of trade is examined.

Assets of trade are those assets other than cash or near cash items that are made available for trading purposes. These assets include apparel, equipment, foodstuffs, animal stock, land, and buildings. Some scholars, like Imam Ahmed, have defined assets of trade as whatever is placed on sale for profits. A Muslim who, at the end of a year, owns a defined minimum amount of such goods that have been placed for trading purposes has to pay 2.5 percent of their value at the end of that year. This includes any profits generated from the trading activities of such items during the year (Al-Qardawi, 1980).

Not all that a person buys are assets of trade. A person might buy clothes to wear, furniture for his house, or a car to use. All this is not considered assets of trade, but rather assets of ownership.

He further describes some conditions for assets to be considered as trade assets. They should meet two conditions: the intention of the individual and action. Intention is the intention to make profits and action is the selling and buying of assets. The existence of one of the conditions is not enough to make an activity a trade. The intention of making a profit is not sufficient to describe an activity as trade without actually practicing trade. In addition, practicing trade without the intention of engaging in trade and making profits is not enough to make an activity a trade. The importance of the above two conditions can be clarified by the following example.

A man bought a car for personal use. At the same time, he intends to sell the car if he is offered more than he paid for it. Even though he intended to sell the car if he is offered some profit, the man did not actually take steps such as advertising, nor did he make it a habit to go to the market to offer it in sale. This man has not, therefore, engaged in trade, even if the car is sold. He may have a habit of buying and selling cars but uses such cars for his personal use until he finds a buyer. This personal use does not take the car out of trade because his intention is to sell the cars, and from his past actions this activity indicates that this is part of his usual pattern of activity. Embarking on licensing procedures, advertising, or past patterns can fulfil the criterion of action.

Another issue common to all forms of wealth relates to the time of ownership of a minimum amount of wealth. The minimum amount is the same as that of cash and near cash items, that is, the equivalent of 85 grams of gold. The issue discussed by many Muslim scholars is when to check whether a minimum amount exists at the beginning and end of the period, always during the year, or only at the end of the year. There are supporters of each method. Some Muslim scholars, like Imam Ahmad, are of the view individuals that should only look at the beginning and end of each Zakat period even if the amount is less during that period.

As stated by Al-Qardawi (1980), when the value of assets falls below the equivalent of 85 grams of gold and later rises to that threshold, a Zakat year begins only after reaching the 85-gram mark. If the value subsequently drops below this amount during the year, no Zakat is required until the asset value remains at or above this level for a full year. A different perspective suggests that the asset value should be evaluated

solely at the end of the year. Zakat is applicable to both the principal amount and any profits, which can be assessed at the year's conclusion. This latter approach appears to be the most straightforward, particularly if the government oversees Zakat collection.

Moreover, there is no evidence from the Prophet indicating that maintaining ownership of the equivalent of 85 grams of gold throughout the year is a prerequisite. Once a Muslim possesses assets worth at least 85 grams of gold, the Zakat year commences. At the year's end, the total value of the assets should be reviewed. If it meets or exceeds the 85-gram gold equivalent, a Zakat payment of 2.5 percent is required. This evaluation should be repeated on the same date the following year; if the assets are still valued at or above 85 grams of gold, another 2.5 percent is due. Thus, the asset value should consistently be assessed, and Zakat should be paid if it equals or surpasses the equivalent of 85 grams of gold.

3.4.3.1 Classification of commercial assets

Assets other than cash and near cash items are classified under Islamic accounting practice into two distinct types: trade assets and production assets (Maknuun, L. I. et al., 2022).

According to the four doctrines of Islam, Zakat is not due on the equipment of production in all cases, whether their effects are left on the product or not. The same is true when estimating the Zakat of a trader; containers of goods and work equipment are not considered part of the Zakat pool. The evaluation of which assets are subject to Zakat, as well as any deductible liabilities, relies on the guidelines established by Zakat law,

which is fundamentally based on Islamic principles as interpreted by qualified scholars and experts (Saad and Farouk, 2019).

Instead of altering existing financial statements, a distinct set of accounts is created specifically for Zakat purposes. As a result, the categorization and management of assets concerning Zakat are dictated by the stipulations of Zakat law, which draws from Islamic teachings and the interpretations provided by knowledgeable scholars (Khosyi'ah et al., 2021).

Trade-related assets encompass a range of financial components, including bank accounts, accounts receivable, and inventory, which are essential for driving business growth. Production assets, which correspond to the concept of fixed assets in contemporary accounting, are long-term assets that support the operations of a business rather than being intended for resale or personal benefit. Some examples of production assets include land, buildings, machinery, and vehicles (Tsamis and Liapis, 2014)

Current assets, often referred to as working capital, become subject to Zakat obligations when their value is equal to or exceeds 85 grams of gold. To qualify for Zakat, these assets must not only meet the specified value and duration criteria but also be held with the intention of generating profits and fostering growth for at least one year. In essence, the Zakat liability of assets or deductible liabilities within Islamic accounting is determined by the Zakat regulations, which are rooted in Islamic teachings and the interpretations of scholars and experts in the field (Saad and Farouk, 2019).

It is important to highlight that fixed assets that are used exclusively for trade purposes are not subject to Zakat accounting.

3.4.3.3 Current assets

3.4.3.3.1 Cash and Debtors

According to the practices and teachings of Islam, it is widely stated that Zakat must be paid on borrowed money that is anticipated to be returned. This obligation is supported by various narrated actions and statements from past Islamic jurisprudence. For instance, a statement attributed to the third caliph Othman emphasizes that Zakat should be given on loans that can potentially be collected if desired (Elmaghrabi et al., 2020).

3.4.3.3.2 Accounts receivable

Account receivable, which are generated from sales transactions, fall under the category of assets subject to Zakat. This applies as long as there is an expectation that these receivables will be collected, similar to how cash was discussed in relation to Zakat (Sanusi et al., 2017).

A higher court ruling in Saudi Arabia has determined that loans extended to third parties are also liable for Zakat if there is an expectation of repayment. As a result, any doubtful loans should be subtracted when calculating the overall amount eligible for Zakat. The authorities responsible for managing zakat and income affairs in Saudi Arabia have implemented a requirement for firms' management teams to provide documentation regarding their loan requests from third parties. In situations where these documented loans are eventually repaid, it becomes necessary to pay the corresponding amount of Zakat retrospectively for all previous periods (Cahyonoa, 2020).

3.4.3.3.3 Stock

Stock typically refers to a collection of goods or assets that are held for eventual sale. As per the Generally Accepted Accounting Principles, inventory is generally valued based on its historical cost and does not consider its current market value, unless the latter is lower than the historical cost.

This approach means that losses are considered while profits and growth are only recognized once the inventory is sold. However, there is no unanimous consensus regarding this matter in Islamic jurisprudence. Some scholars, such as Imam Ahmad, argue that Zakat should be calculated based on the equivalent current value of stock, while others believe it should be paid according to its historical value (Al-Qardawi, 1980).

Nevertheless, most Islamic legal scholars tend to support the former perspective which emphasizes using the current value when determining Zakat obligations for inventory. This is because the purpose of Zakat is to redistribute wealth and provide for the welfare of the less fortunate, and using the current value ensures that the Zakat obligations are based on the actual value of assets at the time zakat falls due, rather than relying on historical cost. This approach aligns with the concept of continuously contemporary accounting, which emphasizes the use of current information in financial reporting rather than relying solely on historical cost accounting. In the context of zakat calculations, inventory valuation based on market values is recommended by the majority of Islamic jurists (Al-Qardawi, 1980), The valuation of inventory for the calculation of zakat should be based on current market values rather than historical cost. This is because

the purpose of zakat is to assess and redistribute wealth based on the actual value of assets at the time zakat becomes due. Al-Qaradawi (1980) believes that the current value of wholesale prices should be used because this is the only possible price if sale is to be executed quickly.

The wholesale value is equivalent to the replacement cost of the inventory, which includes appreciation in value over time (Olang and Grace, 2017). Consideration must be given to selling expenses when using selling prices. It is preferable to utilize replacement values as they can be easily determined and will therefore only include profits with a high level of certainty (Hussain et al., 2022).

Determining selling prices and expenses is not particularly challenging either. Moreover, if the business intends to continue operating, profits are reasonably certain. Hence, before the due date for Zakat, management or owners should compile a list of average prevailing wholesale prices at that date. The resulting prices should then be multiplied by volume while subtracting any associated selling expenses to compute the net result as the basis for calculating Zakat. All valuation methods for Zakat calculation recommended by Islamic jurists are primarily based on the selling price, rather than the historical cost system (Tahat et al., 2018).

The importance of using the selling price as the basis for valuation in Zakat calculation is evident when considering various aspects such as goodwill accounting, deferred tax accounting, inventory, expense capitalization and receivables valuation. One of the primary factors considered for Zakat calculation is the selling price.

3.4.3.4 Liabilities

These liabilities encompass creditors, notes payable, and short-term loans. The presence of these short-term liabilities is a direct consequence of the acquisition of current assets (Sharifi et al., 2021). It is important to deduct such liabilities from current assets in order to determine the Zakat base (Amin, 2021). In cases where these liabilities decrease the Zakat base below an equivalent value of 85 grams of gold, no Zakat payment will be required. Long-term loans and their corresponding portions that arise from purchasing or financing production assets are exempted from Zakat if they are solely used for funding fixed firm assets (Cahyonoa, 2020). Conversely, any portion of a long-term loan designated for financing part of the working capital (i.e., permanent working capital) should not be subtracted when calculating zakatable wealth. The assessment of the Zakatability of assets or deductible liabilities is contingent upon the stipulations of Zakat law, which is fundamentally grounded in Islamic injunctions as interpreted by the rulings of Islamic scholars and experts (Saad and Farouk, 2019).

3.4.3.5 Zakat on minerals

Minerals are highly coveted resources and can be obtained through mining or extraction from wells, encompassing valuable commodities such as gold, silver, oil, and more (Zavala Reyna et al., 2015).

In terms of Zakat imposition on these commodities, a prevailing consensus among Muslim scholars is the acceptance of a 20 percent rate after deducting all associated costs and expenses (Elmaghrabi et al., 2020).

Unlike other forms of Zakat payments where certain conditions like the passage of time or minimum quantities may apply, the majority stance holds that immediately upon availability, Zakat should be paid equal to 20 percent of the net quantity extracted without necessitating any specific minimum amount according to Elmaghrabi et al., (2020), Therefore, when it comes to Zakat on commodities like gold, silver, and oil, Muslims are obligated to pay 20% of the net quantity extracted as Zakat.

One of the uniqueness of the Islamic economic system is the requirement to pay zakat on certain minerals, including gold, silver, and oil (Olanipekun et al., 2015).

This requirement sets Islam apart from other economic systems and serves as an important mechanism for wealth redistribution and social welfare. Furthermore, the payment of zakat on minerals such as gold, silver, and oil align with the principles of economic justice in Islam. There is a widely known view of Malik (one of the four major Sunnah jurisprudence scholars) by which he determines that all that is extracted from beneath the surface of the earth (in whatever form, whether solid or liquid) belongs to the Muslim treasury (Al-Qardawi, 1980).

3.4.3.6 Animal Products like Silk and Milk

Today, various industries heavily rely on animal products such as milk, silk, eggs, and meat. It is interesting to note that these industries were not prevalent during the time of the Prophet Muhammad (peace be upon him), his Companions, and the great scholars of that era. Consequently, there are limited reports available regarding the Zakatability of these specific products (Mohsin, 2020). However, an understanding can be derived from

jurists' reasoning in establishing zakat on honey while exempting pastured animal milk from its obligation.

The main rationale behind such rulings is based on whether the source material itself is subject to zakat. In this case study pertaining to honey and milk production, the ultimate origin – livestock for milk production versus non-zakatable sources for honey extraction- determines their respective obligations towards paying zakat. Henceforth leading us to infer that all products sourced from materials classified as non-zakatable would themselves become eligible subjects for payment of zakat if deemed necessary by contemporary scholars. In contemporary fiqh, the object of zakat mal includes animal products such as milk and silk, if they are sourced from materials classified as non-zakatable for zakat (Fatimah and Susetyo, 2019).

Milk and other products derived from non-zakatable livestock, such as honey, are subject to zakat. In contemporary fiqh, the scope of zakat mal has been expanded to include various assets beyond traditional categories. According to Al-Qardawi (1980), animal products should be treated as outputs and subjected to a zakat rate of ten percent if they are not considered trade assets themselves. This principle applies to dairy products in relation to livestock, honey in relation to bees, eggs in relation to poultry, silk in relation to silkworms - any output that originates from a non-zakatable source must be subject to zakat at an appropriate rate.

These products should be considered as outputs derived from non-zakatable livestock and thus subjected to zakat at a rate of ten percent if they are not considered trade assets themselves. Furthermore, contemporary fiqh has broadened the scope of

zakat mal to encompass various other assets. For instance, zakat should be paid on the income generated from trading, agriculture, land lease, minerals, marine products, capital investments such as warehouses and factories, stocks and bonds, occupation, as well as income from work and business profits. In addition to the traditional categories of gold, silver, agricultural products, and livestock, contemporary Fiqh also includes items such as honey and other animal products in the objects of zakat mal.

3.4.3.7 Zakat on Buildings, Factories, and Similar Items

In the preceding section, we examined two categories of assets that are subject to zakat. The first category encompasses assets where the calculation of zakat includes both the principal amount and any subsequent increments on a yearly basis. Examples of such assets include livestock and trade-related holdings.

In this situation, the connection between the asset and its appreciation is tightly linked, resulting in a zakat rate of 2.5%. Furthermore, there are certain assets for which zakat is determined exclusively by their growth or increase following the harvest. These assets may include tangible items like land or non-tangible ones like bees. The zakat rate applicable to these assets, as discussed earlier in this book, may be either 10% or 5%.

When considering buildings and factories as eligible for zakat calculations, it becomes crucial to determine the basis upon which these assets should be evaluated and how they should be treated in terms of zakat payment. For rented buildings and fixed industrial assets subjected to Zakat payments - one-tenth or one-twentieth rates apply based on their income rather than principal value.

Alternatively, if an accurate assessment can be made regarding net income deductions (as relevant in business corporations), then a ten-percent rate will apply to calculate Zakat from the net income itself (Al-Qardawi, 1980).

Historically, Prophet Muhammad adopted a comparable method by collecting ten percent from crops that were irrigated by natural sources such as rainwater and springs. This approach effectively aligned with net-based assessments. In cases where determining net income is challenging, zakat is assessed at one-twentieth of the yield.

Accurate valuation of assets is essential for calculating zakat, particularly in the context of financial reporting (Vinnicombe, 2010). The valuation of assets, which is critical for establishing the zakat base, poses significant challenges in overall financial reporting.

3.4.3.8 Zakat on Shares and Bond

Financial assets such as stocks, shares, and bonds were not widely acknowledged in earlier times. Numerous tax specialists support the idea of introducing particular taxes on these assets or, at the very least, on the income they produce. Shares, often referred to as common stocks, represent a stake in a company's capital. Bonds, on the other hand, are loan certificates issued by corporations, governments, or municipalities, which are typically repaid at a future date along with interest. The fundamental distinction between shares and bonds is that shares represent a contribution to a company's capital and can yield profits or losses, while bonds are borrowing instruments with fixed interest rates and repayment schedules. Generally, bondholders do not possess any control over the company's management.

When they are released, both stocks and bonds can have market values that vary from their nominal values, and they are bought and sold on exchanges similar to other goods. Their prices can change due to a range of factors influencing supply and demand, such as the performance of the issuing company and the overall economic and political environment.

Some shareholders may be unaware of the Shari'ah rulings concerning the zakatability of their shares, or they may mistakenly believe that zakat applies to all

corporate shares, which is incorrect. It is crucial to differentiate between shares based on the nature of the corporation's economic activities.

Stocks in companies focused solely on industrial activities, which do not partake in trading—like those involved in refrigeration, hospitality, advertising, public transport, shipping, and airlines—are exempt from zakat. This exemption arises because the assets of these companies, as well as the shares that represent them, are allocated towards machinery, office spaces, and buildings, none of which are subject to zakat. Nevertheless, any dividends earned from these shares are considered part of the shareholder's wealth and are subject to zakat at the conclusion of the year, in accordance with zakat regulations.

Conversely, shares in trading companies that solely buy and sell commodities, such as import/export businesses and retail operations, as well as companies that combine both trading and industrial activities—like those that transform raw materials into final products—are zakatable.

The obligation to pay zakat on shares is influenced by whether the corporation qualifies as zakatable, which is determined by the way its assets are utilized. Shares are assessed based on their market value, with an adjustment made for the portion of capital invested in real estate, tools, and machinery owned by the company. Zakat is then applied to the remaining value after these deductions.

For shares and bonds, zakat is calculated according to their current market value, which includes any dividends and interest earned, as long as the total value reaches the nisab threshold. If the aggregate worth of these assets, along with other owned resources,

meets or exceeds the nisab, a zakat rate of 2.5% is applicable. If shares represent the sole income source, necessary living expenses can be deducted.

3.4.3.9 Zakat on Business Inventory

In Islam, engaging in business and the pursuit of profit is permissible if it adheres to ethical principles outlined by God. These principles require Muslims to practice honesty, truthfulness, and kindness in their transactions. It is also important for individuals involved in business ventures to prioritize their spiritual obligations and maintain a devotion to God.

In line with this belief, Islamic teachings encourage guardians of orphans to invest wealth through trade rather than depleting funds solely through zakat payments. Trade and commerce are considered normal aspects of any society's economic makeup; therefore zakat requirements extend not only to monetary assets but also encompass businesses and income generated from them. By fulfilling these financial obligations prescribed by Islam, believers express gratitude towards God for His blessings while simultaneously caring for those less fortunate among His servants who are in need (Setya and Widiastuti, 2021).

Engage in business operations to create revenue. The products involved may include machinery, furniture, apparel, food items, decorative pieces, jewelry, as well as livestock, plants, real estate, and structures. Islamic jurisprudence provides detailed guidelines on the zakat that should be paid on business inventory or 'urud al tijarah. It is

important to note that liquid monetary assets are excluded from this definition of business inventory for zakat purposes (Irfan et al., 2020).

A key characteristic of the Islamic economic framework is the requirement for Muslims to contribute zakat. As one of the fundamental pillars of Islam, zakat must be paid on various forms of wealth, including business income, gold, silver, and savings. The standard zakat rate is set at 2.5%. It should be noted that this requirement stems from Islamic teachings which emphasize the importance of supporting those in need by collecting funds through zakat payments (Pantas, 2019).

According to various sources, it can be observed that business activities play a significant role in wealth accumulation and necessitate the payment of zakat. Henceforth, all Muslims are obligated to fulfill their duty and contribute towards social well-being by paying their due zakat. This principle applies not only to individual Muslim entrepreneurs but also extends to companies operated under Islamic principles.

Islamic banks operate differently from conventional financial institutions as they must adhere to sharia-based guidelines regarding business practices. In assessing their efficiency and success levels, specific indicators such as the ratio of zakat to overall financial performance can serve as valuable metrics (Alaeddin et al., 2019).

In accordance with Sunni faqih scholars' interpretations, such obligations extend beyond just trade-related income; any earnings derived from production, mining, fishing, distribution, and services fall within the realm of mandatory zakatable (Visakh et al., 2021).

It is important to note that according to the Islamic economic system, zakat must be paid on earnings derived from both natural resources and human efforts such as trade, industry, hunting, and war booty. The obligation of zakat extends to all forms of income earned by individuals, including trade assets, livestock, gold, and silver possessions. Imam al Razi explains that this requirement encompasses all accumulated wealth obtained through trade activities. This interpretation aligns with the verse which states that there is no profit or benefit gained solely from a person's wealth accumulation resulting from their trading endeavors (Majid and Abd, 2017).

Trade assets can appear in one of three categories:

1. Goods and stock ready for sale,
2. Cash on hand or held in banks,
3. Amounts owed and receivables from agents and other entities.

In the calculation of zakatable assets within the Islamic economic system, individuals are obligated to consider various forms of ownership such as capital, profit, savings, and potential debts. A comprehensive assessment must be conducted by taking inventory and evaluating these assets along with any monetary obligations. Subsequently, 2.5% of the total value is to be paid towards zakat contributions (Sanusi et al., 2017).

However, it should be noted that hopeless debts are not subject to zakat unless they are eventually repaid. In such cases when repayment occurs, a one-time zakat payment becomes applicable based on their resemblance to earned wealth subjected to zakat at the

time of acquisition. Furthermore, liabilities can be deducted from assets in order to determine the net amount eligible for zakat contribution (Ag Omar et al., 2021).

Fixed assets, such as buildings and furniture of stores that are not acquired for sale purposes, are exempt from zakat. According to Islamic jurisprudence, the zakatable assets of a business refer specifically to liquid or circulating capital. These include materials that are purchased with the intention of resale at a profit (Mohsin, 2020).

3.5 Research Purpose and Questions

The main aim of the research is to assess and evaluate the current state of the zakat system in Afghanistan, identify challenges and gaps, and develop a comprehensive roadmap for reform and improvement. The comprehensive assessment will involve conducting a detailed analysis of the existing zakat framework in Afghanistan, including its legal, administrative, and operational aspects.

The primary objective of this study is to examine and assess the current status of the zakat system in Afghanistan. The focus will be on identifying any challenges or gaps that exist within the framework, with the aim of developing a comprehensive roadmap for reform and improvement. This assessment will involve conducting a thorough analysis of various aspects including legal regulations, administrative procedures, and operational practices associated with zakat distribution in Afghanistan. Specifically tailored questions will guide the survey to align with our research objectives.

1. What is the current state of the zakat system in Afghanistan?
2. What are the key challenges faced by the zakat system in Afghanistan?

3. How does the zakat system in Afghanistan align with the principles of Sharia?
4. What are the potential solutions to overcome the challenges faced by the zakat system in Afghanistan, while adhering to Sharia principles?
5. What is your current understanding of the Zakat system in Afghanistan?

3.6 Research Design

In order to comprehensively address the objectives of the study and ensure a cohesive and logical integration of its various components, a structured research design consisting of sequential steps was implemented. The researcher carefully organized the study into chapters and collected two types of data to support the research findings.

A key feature of this research design involves employing Google Forms to administer the questionnaire. The researcher distributed the questionnaire to targeted participants, ensuring that the sample accurately reflected the population being examined. Utilizing Google Forms facilitated the efficient collection and analysis of responses, which improved the data's accuracy and reliability.

In addition to the questionnaire, interviews played a significant role in gathering data for this research. The researcher conducted both in-person interviews and virtual interviews via Zoom and WhatsApp. This approach allowed for flexibility in reaching participants who may have been geographically dispersed or unable to meet in person. By utilizing open-ended questions during the interviews, the researcher was able to gather rich and detailed information, providing valuable insights for the study.

One of the key benefits of using a questionnaire through Google Forms is the ease of data collection. Participants can conveniently access and complete the questionnaire at their own pace, eliminating potential barriers such as time constraints or geographical limitations. Moreover, the digital format of Google Forms allows for efficient data management and analysis, enabling the researcher to quickly identify patterns and trends within the collected data.

Similarly, conducting interviews via Zoom provided several advantages. It allowed for face-to-face interactions, even when participants were located in different regions. The virtual platform also facilitated the recording of interviews, ensuring accurate transcriptions and enabling the researcher to revisit specific details during the analysis phase. Additionally, the use of WhatsApp for interviews provided a convenient communication channel, especially for participants who preferred textual responses or had limited access to stable internet connections.

It is important to note that the researcher also conducted field visits to relevant institutions, specifically the zakat administrations in Afghanistan. These visits provided firsthand observations and allowed for a deeper understanding of the context and practices related to zakat. By combining these observations with the questionnaire responses and interview data, the study aimed to present a comprehensive analysis of the zakat administration in Afghanistan.

In conclusion, the research design for this study involved the use of Google Forms for questionnaire administration and interviews conducted through Zoom and WhatsApp. These methods provided numerous benefits, such as ease of data collection, flexibility in

reaching participants, and efficient data management. The inclusion of field visits further enriched the research by providing firsthand observations. Overall, this comprehensive research design ensured a thorough and detailed investigation into the zakat administration in Afghanistan.

3.7 Population and Sample

The study explores the entire country of Afghanistan, which comprises a capital city and four distinct zones. Specifically, Kabul is selected as the capital city representing the central region, Kandahar represents the southern zone, Herat is chosen to represent the western zone, Balkh represents the northern zone, and Nangarhar is selected to represent the eastern area of Afghanistan.

In considering the sampling of Afghanistan, the country can be divided into four zones with Kabul as its capital. To gather data, a questionnaire was distributed to respondents using Google Forms, In person and through help of my close friends. The questionnaire was designed in English, Pashto and Dari languages to accommodate participants' linguistic preferences.

The choice of the target groups was mainly based on the groups' knowledge of Zakat calculation, collection and distribution. Groups chosen in this study are as follows:

Academics

The academics selected for this study were mainly those who specialise in accounting and finance. Through personal contacts amongst the academic staff of the Afghanistan universities (Kabul University, Dunya University, Kardan University, Herat

University, Nangrahar University, Balkh University, Kandahar University). The researcher and my friend visited Accounting Departments in these universities and distributed the questionnaires to respondents. This group was selected as they have knowledge of the various accounting, company issues as well as their knowledge of Islam and Zakat.

Government officials

Officials from the various Ministries of Finance and Ministry of Haj and Awqaf were chosen to be included in this study as representatives of the government. It must be noted that only the Ministry of Haj and Awqaf has special Zakat Departments which are responsible for the supervision, collection and distribution of Zakat. The researcher decided to distribute the questionnaires to increase the rate of response.

Investors

Investors were chosen to be included in the survey for two reasons. They have investment in shares as property and are expected to pay Zakat. The questionnaire survey was distributed to individual investors through commercial banks during weekday working hours in Kabul, Nangrahar and Herat based on personal contacts.

Accounting firms

Accounting firms were chosen to be included in the survey for one main reason. They have experience in zakat accounting practices in the country. Many accounting firms in Kabul such as Sudais Accounting and Taxation and Maihan Accounting were

chosen for inclusion in this study again the distribution was by personal contact to increase the response rate.

Table 3.1.1 Questionnaire Distribution Dem

Condition	Academics	Government officials	Investors	Accounting firms	Total
Kabul	40	40	20	20	100
Herat	20	20	20	20	100
Nangrahar	20	20	20	20	100
Balkh	10	10	20	20	100
Kandahar	10	10	20	20	100
%	100%	100%	100%	100%	

Source: Khogyani (2024).

They were requested to share insights on various aspects of zakat, such as their methods of payment and recipients of their zakat contributions. Additionally, they were asked about any other processes related to zakat that they may be familiar with To collect data for the field journey, alternative methods were employed due to security concerns in Afghanistan. The researcher reached out to friends and university professors who were able to distribute questionnaires on behalf of the study.

3.8 Data Collection Procedures

The primary data for our research will be collected through structured interviews and surveys conducted with relevant stakeholders. These interviews and surveys will be

conducted through in-person meetings, online video calls, and email correspondence. The use of networking platforms such as LinkedIn, Facebook, and Google Survey will enable us to efficiently connect with and contact Academics, government officials, Investors and Accounting firms.

The data collection procedure involves gathering information from relevant stakeholders in Afghanistan regarding zakat calculation, collection, and distribution. The total population of participants is 500, and the interviews and surveys conducted in person, through online video calls, and utilizing platforms such as LinkedIn, Facebook, and Google Survey, following methods for data collection:

1. Questionnaire Distribution: The researcher distributed questionnaires to respondents using Google Forms, in person, and with the help of close friends. The questionnaires were designed in English, Pashto, and Dari languages to accommodate participants' linguistic preferences.

2. Target Groups: The study targeted specific groups including academics specializing in accounting and finance, government officials from Ministries of Finance and Ministry of Haj and Awqaf, investors with investments in shares and property, and accounting firms with experience in zakat accounting practices in the country.

3. Sampling and Distribution Demographics: The document provides (Table: 3.1.1) showing the distribution of questionnaires among the different target groups in various regions of Afghanistan, including Kabul, Herat, Nangrahar, Balkh, and Kandahar. The table indicates the number of questionnaires distributed to each group in each region.

4. Field Journey: Due to security concerns in Afghanistan, alternative methods were employed for data collection. The researcher reached out to friends and university professors who were able to distribute questionnaires on behalf of the study.

5. In-Person and Online Engagement: In addition to in-person interactions, the document suggests the use of online platforms such as LinkedIn, Facebook, and Google Survey for engaging with participants and gathering insights on various aspects of zakat.

Overall, the data collection procedure involves a combination of in-person distribution, online surveys, and engagement with stakeholders through various communication channels to gather a comprehensive understanding of zakat practices in Afghanistan from a diverse set of participants.

3.9 Data Analysis

In order to conduct a thorough analysis of the challenges facing the zakat system in Afghanistan, qualitative techniques will be utilized to examine the data collected. For instance,

Upon the collection of the data, the initial step is to articulate its characteristics through the application of statistical measures, including the mean and median to assess central tendency, as well as the standard deviation to evaluate variation.

Mean; this is usually computed as follows:

$$\bar{X} = \frac{1}{N} \sum_{j=1}^n X_j$$

Equation 1

Where:

S = the Standard deviation

X = the mean

N = the total number of observation in the sample

X₁ = 1, 2, 3, ... N

The methodology employed in this study involves the computation of the mean value for specific items on the questionnaire, which reflects the respondents' behaviors in relation to the articulated research question and/or hypothesis. The questionnaire predominantly utilizes a five-point Likert scale for the majority of inquiries, while a two-point scale is employed for the remaining questions, where a score of one signifies the lowest level of agreement and a score of five denotes the highest level. Additionally, the researcher has systematically ranked the average responses of participants regarding particular problems or issues. For instance, a mean score of 4.6 is ranked higher than a mean score of 3.6.

This ranking serves to illustrate the relative strength of the responses, categorizing them from "important" to "not important" or from "agree" to "disagree." The rank order is of particular significance in this study, as it provides insight into the respondents' opinions regarding the perceived importance of specific problems or issues, as well as their preferred solutions among the alternatives presented.

The second moment used is the standard deviation. This is usually computed as follows:

$$s = \sqrt{\frac{\sum (x_i - \bar{x})^2}{n-1}}$$

Equation 2

Where:

S = the Standard deviation

X = the mean

N = the total number of observation in the sample

X₁ = 1, 2, 3, ... N

The objective was to develop an indicator capable of measuring the variability of individual responses within a specific distribution, particularly concerning responses to a designated question. Consequently, the standard deviation of respondents' answers serves as a measure of the extent to which outcomes can deviate from the expected mean. In addition, other statistical measures were computed, including the median, as well as the maximum and minimum values, which together represent the range. This methodology aims to establish benchmark indicators that facilitate the interpretation of both the mean and standard deviation. Such an approach will enable a thorough evaluation of the collected data, yielding valuable insights into the challenges encountered by the zakat system in Afghanistan.

3.10 Research Design Limitations

The scarcity of scholarly literature on Zakat, particularly in the context of Afghanistan, poses a significant constraint for researchers. Consequently, this study heavily relies on the analyses and teachings put forth by established Islamic scholars globally.

However, this study holds significant importance as it is the pioneering research of its kind conducted in Afghanistan so far. The lack of literature on Zakat governance in Hussain et al's study highlights the need for further research in this area (Zadjuli et al., 2020).

It is important to note certain limitations and challenges in this study. The research methodology employed in this study solely relies on a questionnaire survey, meaning that the findings are influenced by the participants' viewpoints, experiences, and opinions. Additionally, these results may be constrained due to the specific questions asked and the selected sample of respondents.

Due to security concerns in Afghanistan, conducting online interviews with the relevant departments for this study proved challenging and time-consuming. The scope of this research is limited to five zones including Kandahar, Herat, Balkh, Nangarhar and Kabul.

3.11 Conclusion

This section provides a detailed overview of the methodology used in the research. It begins by addressing the research problem and the limited availability of

literature on the Zakat system in Afghanistan, highlighting the challenges faced by researchers in obtaining reliable insights into the functioning of the system.

The chapter emphasizes the significance of conducting comprehensive studies and compiling literature specifically focused on the Zakat system in Afghanistan. It emphasizes the importance of understanding the concept of Zakatable Wealth and its role in fulfilling religious obligations, promoting economic stability, social justice, and personal growth.

The chapter also discusses the principles of Zakat in Islam and its roots in the Islamic faith, emphasizing its role in wealth redistribution, poverty alleviation, and social justice. It explores the different types of Zakat and their respective obligations, including Zakat on income from labor and professions, assets of trade, minerals, animal products, buildings, factories, shares, bonds, and business inventory.

The research purpose and questions are presented, which aim to assess and evaluate the current state of the Zakat system in Afghanistan, identify challenges and gaps, and develop a comprehensive roadmap for reform. The research design, population, and sample are outlined, along with the data collection procedures and analysis techniques that will be used.

The chapter concludes by acknowledging the limitations and challenges of the research, particularly the scarcity of literature on the Zakat system in Afghanistan. However, it highlights the importance of conducting this pioneering research and the potential impact it can have on the understanding and improvement of the Zakat system in Afghanistan.

Overall, Chapter 3 provides a thorough and comprehensive overview of the methodology and framework used in the research, setting the stage for the subsequent chapters that will delve into the findings and recommendations.

CHAPTER IV: RESULTS

The main aim of the research is to assess and evaluate the current state of the zakat accounting system in Afghanistan, identify challenges and gaps, and develop a comprehensive roadmap for reform and improvement. The comprehensive assessment will involve conducting a detailed analysis of the existing zakat framework in Afghanistan, including its legal, administrative, and operational aspects. According to the objectives of the research therefore, the research questions to be tested in this respect are formulated as follows.

4.1 Discussion of Results

4.1.1 Personal characteristics of respondents

This section presents the personal characteristics of the respondents. Each respondent was asked four basic questions relating to age, nationality, and level of education, and working area. The analysis of respondent's background is provided in table 4.1.1.

It can be seen from table 4.1.1 that more than 77 percent of the respondents were between 30-60 years old. The table further reveals that 22 percent of the respondents are less than 30. Only 2 percent of the respondents were found to be above 60 years of age. Given that the majority of respondents are more than 30 years old; this will give credibility to their answers because of their high level of experience and maturity. Table

4.1 also reveals that all respondents are nationals of the country surveyed which strengthens the validity of the questionnaire as all respondents are directly concerned with the subject of the survey. The distribution of respondents among the five provinces is fairly proportionate in order to make the sample more representative of the population of study. The largest Province (Kabul) is represented by the majority (37 percent) of the respondents, while the other smaller provinces are represented by 12 percent (Balkh), 19 percent (Herat), 19 percent (Nangrahar) and 13 percent (Kandahar) respectively. As the present study is more concerned with obtained informed opinion, education of respondents is of paramount importance. Table 4.1.1 shows that more than 83 percent of the respondents hold a bachelor's degree or above with the other 10 percent holding a relevant diploma and high school certificates. The result indicates that the majorities of respondents are highly educated and would, therefore, be more able to understand the questionnaire and give an objective opinion. It is possible that the place of education may affect the opinion of the respondent. If the respondent has been educated in an Islamic country, it may be thought that the respondent might be biased towards a more traditional attitude towards zakat. On the other hand, a respondent who was educated in the West may have more of a liberal attitude. Thus, in order to limit the possibility of bias, the sample should be fairly represented by both groups. Table 4.1.1 indicates that 64 percent of respondents hold degrees from Afghanistan, and 12 percent obtained their degrees from Asian, 8 percent obtained their degrees from Europe, 10 percent obtained their degrees from America. The possibly liberal respondents are also represented, with 36 percent of respondents holding degrees obtained from Asian and Western countries.

Table 4.1.1 Background characteristics of respondents

	Kabul		Herat		Nangarhar		Balkh		Kandahar		Total	
	F	P	F	P	F	P	F	P	F	P	F	P
Age												
less 30 Years	33	29%	13	19%	15	22%	5	7%	1	1%	67	22%
31 - 40 Years	58	51%	33	25%	28	21%	6	5%	7	5%	132	43%
41 - 50 Years	13	12%	5	10%	6	12%	15	29%	12	24%	51	17%
51 - 60 Years	8	7%	7	13%	7	13%	12	22%	20	37%	54	17%
More than 60 years	1	1%	2	40%	2	40%	0	0%	0	0%	5	2%
National by Provinces	113	37%	60	19%	58	19%	38	12%	40	13%	309	100%
Academic qualification												
less than high school	13	62%	2	10%	2	10%	4	19%	0	0%	21	7%
High school	14	48%	7	24%	7	24%	1	3%	0	0%	29	10%
Bachelor's degree	38	36%	12	11%	7	7%	21	20%	29	27%	107	37%
Master's degree	41	41%	19	19%	18	18%	11	11%	11	11%	100	34%
PhD	7	21%	20	59%	6	18%	1	3%	0	0%	34	12%
Country of education												
Afghanistan	13	6%	60	29%	58	28%	38	18%	40	19%	209	64%
ASIA	14	35%	10	25%	8	20%	8	20%	0	0%	40	12%
Europe	5	19%	4	15%	4	15%	14	52%	0	0%	27	8%
America	7	21%	5	15%	5	15%	16	48%	0	0%	33	10%
Other Please specify	8	50%	2	13%	2	13%	4	25%	0	0%	16	5%

Source: Khogyani (2024).

4.1.2 Investments

This question required respondents to identify the value of their investments according to the following categories: less than US\$5,000; US\$5,001-10,000; US\$10,001-15,000; and, above US\$15,001.

Table 4.1.2 Respondents' investments and their values

Do you hold investments	Kabul		Herat 4		Nangarhar		Balkh		Kandahar		Total	
	F	P	F	P	F	P	F	P	F	P	F	P
Yes	61	29%	36	17%	36	17%	35	17%	40	19%	208	67%
No	52	51%	24	24%	22	22%	3	3%	0	0%	101	33%
kind of Investments												
Company shares	41	30%	21	15%	21	15%	24	18%	29	21%	136	28%
Government Bond	10	24%	5	12%	5	12%	10	24%	12	29%	42	9%
National Bank	10	29%	3	9%	4	11%	6	17%	12	34%	35	7%
Islamic Bank	11	16%	5	7%	6	9%	17	25%	28	42%	67	14%
[Land	19	18%	9	8%	8	8%	31	29%	39	37%	106	22%
Other	26	25%	14	14%	13	13%	21	20%	29	28%	103	21%
Investment years												
Less than one year	8	28%	6	21%	6	21%	7	24%	2	7%	29	15%
1-5	28	39%	14	19%	13	18%	5	7%	12	17%	72	37%
6-10	12	41%	5	17%	5	17%	5	17%	2	7%	29	15%
More than 10 years	7	11%	6	9%	7	11%	21	32%	24	37%	65	33%

Source: Khogyani (2024).

Table 4.1.2 shows that 67 percent of the respondents held investments. Of those who held investments, a significant 136 proportion of them (28 percent) invested in company shares. A reasonable proportion of the respondents indicated that they had invested in the banking sector. Only 14 percent of the participants indicated that they invested in Islamic banks. Investment in National Bank registered the lowest popularity with only 7 percent

of the respondents indicating that they had investments in National Bank. A high percentage of the respondents (37 percent) claimed that they had been holding their investments for between 1-5 years. (33 percent) of them said that they had been holding their investments for more than 10 years.

4.1.3 Zakat payment on investment returns

The respondents who indicated that they possess investments were inquired as to whether they pay Zakat on the returns generated from these investments. Additionally, they were asked to express their views regarding the enforcement of Zakat payments on returns derived from investment activities. The responses to these inquiries are summarized in Table 4.1.3 below.

Table 4.1.3 Zakat payments on investments

Do you pay Zakat?	Kabul		Herat		Nangarhar		Balkh		Kandahar		Total	
	F	P	F	P	F	P	F	P	F	P	F	P
Yes	62	31%	34	17%	34	17%	28	14%	40	20%	198	64%
No	51	46%	26	23%	24	22%	10	9%	0	0%	111	36%
Zakat should be enforced on investment activities												
Yes	75	33%	44	19%	42	19%	30	13%	36	16%	227	83%
No	22	47%	6	13%	7	15%	8	17%	4	9%	47	17%

Source: Khogyani (2024).

As evidenced in Table 4.1.3, all respondents confirmed that they contribute Zakat on the returns generated from their investments. Furthermore, 83 percent of the participants expressed their support for the proposal that the payment of Zakat to the Zakat Department should be mandated for investment returns.

4.2 Research Question One

What are the various perceptions, of the selected groups of respondents, of who should regulate zakat?

Regulating the collection processes, methods, and auditing of Zakat is crucial for ensuring transparency and accountability. It should be handled with great caution to uphold the principles of fairness and justice. In countries without an official agency for regulating Zakat, there is a noticeable gap in Zakat assessment and distribution that needs to be addressed urgently. According to Islamic principles, the ruler bears the responsibility for collecting Zakat as it is mentioned in Qur'an 9:103. Therefore, it becomes imperative for the state to establish an agency dedicated to managing Zakat affairs effectively.

In various Islamic nations, legislation has been enacted to address matters regarding Zakat, such as in Saudi Arabia and other countries. The Ministry of Finance is tasked with developing Zakat regulations in collaboration with religious authorities and accounting firms (Sawmar and Mohammad, 2019).

In countries where the government does not oversee this process, officially designated charities typically fulfill this role. Therefore, it was crucial to inquire about the respondents' views on who should be responsible for regulating Zakat and how this responsibility should be carried out by different entities within each country's unique context (Gümüő et al., 2019).

Additionally, it is important for zakat institutions to adapt to modern technology and improve their use of human capital in order to enhance the effectiveness and efficiency of Zakat distribution and collection (Saad & Farouk, 2019).

4.3 Research Question Two

- What are the various perceptions, of the selected groups of respondents, of Zakat collections and administrations?

Possibility of Zakat harmonization is a challenging concept to find on a global scale. Nevertheless, there are certain states, such as the provinces in Afghanistan, that stand out due to their unity and dedication to a specific set of values. These examples highlight how sharing the same faith enriches them with common ethics and a mutual language removes barriers for effective communication among themselves (Gamon and Tagoranao, 2018).

To overcome the challenges of Zakat harmonization, it is crucial to foster strong unity and cooperation among states or regions with shared faith, morals, and language (Saad & Farouk, 2019).

This can be achieved through extensive dialogue, collaboration, and the establishment of a unified framework for Zakat management. By working together, these states can develop common standards and guidelines for Zakat collection, distribution, and utilization.

The common cultural heritage fosters a strong connection among the people, while similar climatic and geographic conditions have led to uniformity in clothing styles and

housing patterns. This interconnectedness has further consolidated their economic prosperity rooted in natural resources and coastal location, aligning their financial future with the expanding global market. As a collective entity, they not only reap the benefits of worldwide success but also confront challenges hand-in-hand (Zagralli, 2017) .

A good example is the Committee of Co-operation of Arab Gulf state. The Committee of Co-operation of Arab Gulf States is a political, financial, social and local organisation in terms of principles and aims that were predestined by the basic system. Since the foundation of the committee, many financial agreements have been made. These have involved co-operating in and unifying financial and monetary organizations. The Gulf Committee of Co-operation has become an apparent and effective presence that reflects the directions of the governments of the member states and the interests of its people, believing in its united aims and shared fate (Yaaqeib et al., 2022).

These factors will contribute to creating consistency in the accounting of Zakat across different countries. Trop suggests that accounting harmonization reduces costs by eliminating unnecessary data duplications and publication requirements, leading to improved information for centralized agencies. This could also simplify supervisory and enforcement roles for tax authorities and securities regulators if differences in financial reporting and auditing among nations were minimized, as recommended by (Al-Utaibi, 1999).

Lastly, the influence of Islamic Shariah on harmonization in the GCC countries is significant due to its prohibition of riba (usury) and requirement of Zakat in trade

transactions. It's important to explore respondents' views on the potential harmonization of Zakat.

4.4 Research Question Three

- What are the various perceptions of the selected groups of respondents, of zakat Distributions?

The principle in Islamic law states that Zakat should be collected, under strict supervision, for those who deserve it. It is not merely an action left to the choice of each Muslim - even if it were preferred for Muslims to distribute the Zakat of their money individually rather than through a central authority. By adhering to the principles of Islamic law, the distribution and collection of Zakat can be done in a fair and just manner, ensuring that it reaches those who are most in need of assistance and alleviating economic disparities within the Muslim community (Kashif et al., 2018).

It is a compulsory obligation that the ruler allows those appointed to collect and those deserving to receive. It is a duty for Muslims to pay (Qur'an, chapter 9:103).

The Zakat Department in Saudi Arabia is responsible for the distribution and collection of Zakat. According to the Ministry of Finance, Zakat is collected from individuals and businesses in Saudi Arabia. The main goal of collecting Zakat is to adhere to Shariah principles and authorize the gathering by the Zakat Department as required by the Saudi government based on Islamic teachings prescribed by Allah (Dahlawi et al., 2021).

The Zakat Department in Saudi Arabia ensures the fair distribution and collection of Zakat according to Shariah principles and government regulations, aiming to fulfill the compulsory obligation of Zakat and promote social welfare within the Muslim community. The centralized collection and distribution of Zakat in Saudi Arabia ensures that the obligation of paying Zakat is fulfilled in a fair and just manner, and that the funds collected are effectively and efficiently distributed to those in need, helping to alleviate poverty and promote socio-economic justice within the Muslim community.

In other nations, there are no established regulations for the gathering or allocation of Zakat. Therefore, Islamic banks and charitable organizations in these countries handle Zakat by receiving it from those willing to pay and distributing it according to depositors' suggestions. In these regions, the distribution and collection of Zakat rely heavily on the discretion and voluntary contributions of individuals, Islamic banks, and charitable organizations (Saad and Farouk, 2019).

In these regions, the distribution and collection of Zakat depend on the willingness and generosity of individuals, Islamic banks, and charitable organizations. In these regions, individuals, Islamic banks, and charitable organizations play a significant role in the distribution and collection of Zakat (Adinugraha and Shulhoni, 2023).

Overall, the administration of Zakat varies across different countries, with some countries like Saudi Arabia having a centralized system managed by the Zakat Department, while other countries rely on individuals, Islamic banks, and charitable organizations for the distribution and collection of Zakat (Adinugraha and Shulhoni, 2023).

Therefore, it is important to investigate the perceptions of the selected respondent groups regarding Zakat collection and distribution.

4.5 Research Question Four

- What are the various perceptions, of the selected groups of respondents, of the causes of variation in measuring zakat?

Accounting Measurement Variations Following the principles of conventional accounting followed by developed nations, accounting measurement and disclosure in Islamic countries are adaptable, allowing for the use of various methods. The differences in accounting measurement and disclosure of Zakat will be discussed below. These differences in accounting measurement and disclosure of Zakat highlight the need for further research and standardization to ensure consistency and comparability across Islamic countries (Saad and Farouk, 2019).

This research is important to establish a unified framework for accounting measurement and disclosure to facilitate better financial reporting and analysis of Zakat across Islamic countries. In this section we will use the Saudi Arabia method as an example to illustrate the variations in accounting measurement and disclosure of Zakat. In Saudi Arabia, the accounting measurement and disclosure of Zakat is based on the principles of Islamic law and follows specific guidelines set by regulatory bodies.

Depreciation of fixed assets

In Saudi Arabia, the accounting measurement and disclosure of Zakat considers the depreciation of fixed assets. It is important to accurately account for the depreciation of fixed assets when calculating Zakat (Ahmed et al. 2016).

The depreciation formula is

$$A = P(1+r)^n$$

Equation 3

where:

A: is the value of the item being depreciated

P: is the principal (or initial) amount

r: is the depreciation rate per time period

n: is the number of time periods

This ensures that the valuation of the assets is fair and reflects their current value in accordance with Islamic principles.

a) fixed assets are owned by the firm.

b) fixed assets are depreciable.

c) fixed assets are used in the firm's activity.

d) depreciation is for one complete year, except in the case where an asset has only begun to be used during the year.

e) depreciation is measurable according to the specified percentages as a maximum limit by the department and because of the cost actuality of fixed assets.

According to Ahmed et al (2016) the treatment of fixed assets adopted by the Saudi Department of Zakat and Income, conforms to the accountancy treatment for the depreciation of fixed assets. The latter is based on estimating depreciation according to rational percentages and because of the actual historical cost of the fixed assets. Consequently, the Saudi Department of Zakat and Income is criticized, as follows, with respect to its treatment of the depreciation of fixed assets (Sawmar and Mohammad, 2019).

1. This treatment has not complied with the criteria of measurement and assessment of current costs when calculating depreciation because of the actual cost of the fixed assets. Because the department has not complied with these criteria when assessing the trade activity (working capital) at the end of the period, this can be regarded as an unjustified inconsistency in measuring elements of the Zakat pool of trade activity.
2. This treatment has not complied with the criterion of protecting capital, since measuring the depreciation of the fixed assets based on their actual cost lowers the value of depreciation instalment and unjustifiably increases the net profits. This leads to increasing the Zakat pool of trade activity and, consequently, its

applicability to part of the capital, which means unprotecting it. In addition, the firm's future inability to replace its fixed assets, using the accumulated depreciation instalments in the accounts of depreciation of fixed assets allowances, also indicates an inability to protect capital as well as bringing about the firm's inability to continue.

Allowances and reserves

The Saudi Department of Zakat and Income does not allow to deduct any kind of allowances, except for depreciation of fixed assets, and bad debts allowances in the banking sector only, provided that the following are available (Umar and Haron, 2023).

- a) It is necessary to submit a certificate from the Saudi Arabian Funds Organization stating the amount of the debt of the allowance.
- b) Zakat must be levied on each collected debt and for one year. As for reserves, the Saudi Department of Zakat and Income does not discount them at all on the basis that they do not represent any actual burdens or losses; so, they are not used by the firms as a means of lowering their profits and accordingly the Zakat base (Umar & Haron, 2023).

Expenditure

The Saudi Department of Zakat and Income excludes any expenditure not relating to the firm, and does not allow discounting them, such as personal expenditures of the firm's proprietors. This agrees with the accountancy practices and the entity principle. Each organization represents an entity, which is separate and independent from its owners, and from other organizations. Thus, by this principle, the activity of the organization is separated from the activities of its owners. It also agrees with the standard

for measuring the Zakat base of the trade activity. The Saudi Department of Zakat and Income excludes any expenditure not relating to the Zakat year under consideration, even if they were actual and supported by documents.

Wages, salaries and similar items

wages, salaries and similar items (such as awards paid out for personal services) are considered as deductible costs when calculating the firm's net profits, provided that their amounts are reasonable and not exaggerated, in accordance with the procedures observed by the Saudi Department of Zakat and Income. They should also be related to the firm's activities. This also allows discounting academic fees paid by firms to their employees, in the region of 5,000 Riyals per employee (Al-Utaibi, 1999).

The Saudi Department of Zakat and Income allows for the deduction of wages, salaries, and similar items as reasonable and related costs when calculating a firm's net profits for the purpose of zakat calculation. This ensures that the zakat calculation accurately reflects the true financial position of the firm and avoids any inflated or exaggerated claims for deductions.

End of service awards

End of service awards, if in the firm's law of regulations, and employment conditions state that it is obligatory to pay. The Saudi Department of Zakat and Income does not discount the end of service awards from the firm's profits on the basis that it is a long-term liability. This is in line with the prudence concept of accounting, which requires the cautious treatment of liabilities and expenses.

It also conforms with the measurement of Zakat base in that it does not reduce the firm's net profits by liabilities that will not be settled in the Zakat year under consideration. This prudence concept ensures that the financial position of the firm is not overstated in the Zakat calculation, thereby providing a more accurate reflection of its financial status.

Inventory

The Saudi Department of Zakat and Income considers the cost and realizable value of inventory when calculating Zakat. This means that the realizable value of inventory should not exceed the cost or the current market price, whichever is lower. This method aligns with the conservative principle of accounting, which advocates caution in recognizing revenues and assets. By adopting this approach, the Saudi Department of Zakat and Income ensures that the valuation of inventory for Zakat calculation is conservative and reflects the true economic value of the firm's assets.

In conclusion, the accounting measurement and disclosure of Zakat in Saudi Arabia exhibit several unique features that are in line with the principles of Islamic law and accounting standards. By incorporating Islamic principles and regulatory guidelines, the Saudi Department of Zakat and Income aims to ensure a fair and accurate assessment of Zakat. However, further research and standardization are needed across Islamic countries to achieve consistency and comparability in the accounting measurement and disclosure of Zakat. This will facilitate better financial reporting and analysis of Zakat, benefiting both the organizations and the stakeholders involved.

Bad debts

According to Jamjoum (1985), the Saudi Department of Zakat and Income agrees to discount bad debts from a firm's revenues when determining the Zakat pool of trade activity since this agrees with accountancy practices and principles as well as with the standard for the estimations of the Zakat pool of trade activity, in accordance with the following provisions (Al-Utaibi, 1999).

- a) Bad debts should be real rather than false.
- b) A decision must be made towards cancelling these debts from the concerned authority within the firm.
- c) The firm must have carried out the legal and actual reclaiming procedures, and more than one year must have elapsed since these reclaims were made.
- d) The firm must prove the inability of the debtors to pay these debts, such as in bankruptcy cases by a judicial verdict, or in cases of debtors stopping payments due to their insolvency; and,
- e) the firm has to pledge to primarily include any collected bad debts in the future within the Zakat declaration.

Fees of firm's board of directors

Saudi Department of Zakat and Income excludes all that members of a company's board of directors obtain in terms of fees or rewards from expenditures and does not allow discounting them from the revenues when determining the Zakat pool of trade

activity. The Zakat department justifies this action in that these fees or rewards are considered distribution of profit rather than a burden to it (Ahmed et al., 2016).

This procedure is applicable to companies or sole companies, where, according to the Saudi Companies Statute, there is a board of directors (of joint liability companies, with a number of shareholders) or a partner managing a sole corporation. In both cases, whatever the board of directors of a joint liability company (which consists of all shareholders) or a director in a sole corporation (who is a partner) are paid, this is considered to be a distribution of profit rather than a burden to it, consequently it should not be discounted (Al-Utaibi, 1999).

This treatment has been adopted by the Saudi Department of Zakat and Income (i. e., not discounting the fees of a firm's board of directors from the revenues when determining the Zakat pool of trade activity; so as not to use these fees and rewards to reduce profits, and, subsequently, the Zakat pool of trade activity).

It was, therefore, important to investigate the perceptions of the selected groups of respondents, regarding variations in accounting measurement.

4.6 Research Question Five

- What are the various perceptions, of the selected groups of respondents, of zakat payment?

Zakat constitutes the third of the five fundamental pillars of the Islamic faith. Among these principles, Zakat serves as a cornerstone of the Islamic economic framework. It is recognized as a compulsory religious obligation. Both the Tawrat and the Bible

encourage the faithful to provide alms, which is a manifestation of Zakat. Notably, the Qur'an indicates that Jacob, Ismail, and Isaac were all commanded to pay Zakat. Furthermore, Jesus is quoted in the Holy Qur'an as stating:

"I am indeed a servant of Allah; He has given me Revelation and made me a prophet, and He has made me blessed wherever I may be, and He has enjoined upon me prayer and Zakat as long as I live" (Qur'an, chapter 19: 30 and 31).

According to Islamic principles, the purpose of life is to worship Allah by fulfilling His commands and abstaining from that which He has prohibited. Zakat is viewed as an expression of gratitude for the blessing of wealth. The act of performing Zakat signifies a Muslim's obedience to Allah, providing the individual with a sense of fulfillment. Scholars, including Imam Ahmad, assert that Zakat assists individuals in overcoming greed, a trait often deemed undesirable, as highlighted in the Qur'an (chapter 17: 100).

4.7 Thus, the payment of Zakat serves to purify the soul and enhance individuals' self-perception. Wealthy individuals, by fulfilling their Zakat obligations, are afforded the opportunity to feel integrated within the broader social context. Consequently, Zakat functions as a mechanism for wealth distribution, aiding in the mitigation of disparities between the affluent and the impoverished. It is therefore deemed essential to explore the perceptions of selected respondent groups regarding the payment of Zakat.

4.8 Research Question Six

- What are the various perceptions, of the selected groups of respondents, of zakat accounting methods?

When calculating the Zakat base for trade activities, a company's financial status and evaluation of working capital are important factors. As mentioned earlier, there are two approaches available to determine the Zakat base: the direct approach or the indirect approach (Qudratullah, 2020).

The direct approach involves calculating Zakat based on the actual value of assets and liabilities related to the trade activities, such as cash, trade goods, and outstanding debt. On the other hand, the indirect approach involves calculating Zakat based on the net profit generated from trade activities (Rosyida et al., 2019).

Both approaches result in the same Zakat obligation. However, both methods do not consider the nature of investment in other companies and whether these companies are subsidiaries of the parent company. If these investments were acquired for resale or trading purposes, they and their Zakat base will be included within the current assets, making them subject to Zakat. On the other hand, if they were acquired to control subsidiary companies, they are classified as fixed assets. Any returns generated from them are liable to Zakat. These two approaches suit companies with regular accounts when determining the pool of trade activity for Zakat purposes (Hardi et al., 2021) (Qudratullah, 2020).

In the case of businesses with inconsistent financial records, it is possible to approximate the Zakat base. The company's capital can be ascertained at the start of the year using information from the commercial register or its contractual agreements.

Alternatively, it can also be estimated based on current business activity levels. Profits will be calculated based on operations conducted during the year and other relevant economic indicators. Additional methods for approximation may include analyzing cash flow statements and balance sheets to determine a more accurate calculation for Zakat obligations.

Commercial debts payable to the Zakat payer are added to the profits unless there is evidence of their unlikelihood of being collected or if a dispute arises between him and other parties.

It was essential to conduct a comprehensive investigation into the viewpoints of the chosen respondents regarding the Zakat accounting method.

4.8 Research Question Seven

- What are the various perceptions, of the selected groups of respondents, of the zakat effects on the individual and society?

Al-Qaradawi explains that in the language of the Qur'an and the Sunna, Zakat (alms) can be referred to as charity. The term "charity" is derived from truthfulness, which is why Zakat is also known as charity - it serves as proof of one's belief and faith in The Day of Judgment. The religious purposes for Zakat are stated in the Qur'an as purification and sanctification (Bouanani and Belhadj, 2020).

Take alms from their wealth to purify them and sanctify them with it (Attawba,103).

The accumulation of wealth by an individual may be ambiguous in terms of its origins or it could be obtained through impermissible means (haram). Without giving Zakat, wealth remains impure. By fulfilling the obligation to give Zakat, a believer relinquishes greed and attains success (Sadallah and Abdul-Jabbar, 2022).

And whosoever is saved from his own covetousness, such are they who will be successful (Alhashr, 9).

Zakat also signifies the concept of self-purification. When one pays Zakat, they understand what it means to be a devoted servant to Allah, the Highest. A true believer does not expect any form of payment or reward from those who benefit from Zakat; rather, their anticipation is directed towards receiving it from The Master of His servants. Therefore, when a Muslim gives Zakat willingly and uses their own funds to do so (Syarifah et al., 2022).

(which he strongly loves) reflects the depth of his belief and stability of his reed and wish to attain the pleasure of Allah.

Those who are entitled to and receive Zakat understand that they belong to a compassionate human community. The practice of giving Zakat fosters warmth, compassion, and unity among members of an Islamic society. A genuine sense of brotherhood among Muslims cannot be sustained if some individuals are in distress due to hunger while others indulge in worldly pleasures. This situation may ignite feelings of resentment, envy, and animosity within the less privileged towards the affluent members (Aristoni, 2021).

This is what Islam stands against and tries to prevent. Allah says: The believers are nothing more than brothers.

The Prophet emphasized the importance of serving Allah and treating fellow Muslims as brothers. This obligation to give Zakat is a way to diminish feelings of jealousy and reinforce Islamic brotherhood. Its purpose is to reduce poverty and its negative consequences such as theft and corruption, prevent criminal activities, safeguard dignity, help individuals find employment, ensure that disabled persons are respected, and assist those in debt. Through Zakat, the wealthy demonstrate their support for the less privileged by providing essential resources (Sobiyanto and Hannase , 2023).

This practice fosters a sense of unity between individuals from different economic backgrounds within Islamic communities. Through the giving of Zakat, Muslims not only fulfill their religious obligation but also strive to purify their wealth and souls (Saatçioğlu et al., 2016).

In accordance with this meaning, the messenger, May blessings and peace be upon him, says: One of you does not fully believe until he loves for his brother what he loves for himself. As well as Zakat being a cleansing of the spirit and a sanctification of it, it is also a purification of the money of the one who is giving it, and a growth for him literally and morally, as it acts as a reason for the owner to invest and make it grow so that it would not be dissipated in payments to charity alone (this is because Zakat is due on idle wealth and is an encouragement to make one's wealth. work for you) (Syarifah et al., 2022).

This is how the Zakat money, that the poor receive, helps to increase the buying ability for them. This would naturally reflect on being rich itself. An increase in demand for necessary merchandise and services will lead to an increase in production of such necessities. This is what is mostly produced through financial units owned by the rich, which increases the need for workers. So the money of Zakat helps in eradicating unemployment, as it provides a job for the worker and guarantees a respected life for the disabled (Sobiyanto and Hannase, 2023).

Zakat is taken from the money of the rich, to give to the poor, which undoubtedly leads to a type of distribution of wealth. This makes the social layers closer and prevents the amassing of wealth in the hands of a small group, who can affect the country's finances and abilities, and which could be a cause of general stagnation. This may lead to a slowing down of economic growth and hinder social progress (Mustika et al., 2019). or even stopping, of production and, therefore, the main point about Zakat in the state's development, financially, is clear; the point being to make it Islamic, strong, growing, and stable.

It was, therefore, considered important to investigate the perceptions, of the selected group of respondents, regarding the zakat effects on the individual and society

4.9 Summary of Findings

4.9.1 Question one:

The summary involves the investigation of various perceptions of the selected groups of respondents on who should regulate Zakat. The research highlights the

importance of regulating the collection processes, methods, and auditing of Zakat to ensure transparency and accountability. It emphasizes the responsibility of the ruler in collecting Zakat as mentioned in the Qur'an and the need for establishing an agency dedicated to managing Zakat affairs effectively.

The research also discusses the role of different entities, such as government agencies and officially designated charities, in regulating Zakat in different countries. Additionally, it emphasizes the importance of adapting Zakat institutions to modern technology and enhancing the use of human capital for more effective and efficient Zakat distribution and collection.

Accounting regulation has existed for a long time in the developing countries. Even though Zakat is not currently regulated, it is assumed that, with the ever-spreading principle of Zakat in Islamic countries, there will be a need for increased regulation. Feedback was, therefore, required from respondents concerning the question of who should regulate Zakat. To that end, respondents were invited to express their opinions on the question. The mean responses as well as other statistics are shown in tables 4.9.1.

Table 4.9.1 Zakat Regulation

Who should regulate Zakat?	Frequency	Mean	Median	VAR	S.D
Government	242	4.4	37	0.9	0.9
Muslim scholars	200	4.4	11	1.1	1.0
Academics	209	4.4	29	0.9	1.0
Government with advice from Muslim scholars	215	4.0	19	1.2	1.1
Government with advice from academics	210	4.0	28	1.0	1.0
Government with advice from Muslim scholars and academics	213	4.1	29	1.1	1.1

S.D = Standard Deviation

Source: *Khogyani (2024)*.

It is quite evident from tables 4.9.1 that the respondents gave a lot of support to a partnership between government, academics and Government with advise from Muslim scholars and academics towards regulating the accounting of Zakat

The above results highlight the cultural features of Afghan societies in general, in that regulation requires enforcement. The academics and Muslim scholars have the required qualification to set standards for accounting and disclosure for Zakat. They do, however, lack the required means to implement such standards. Thus, the respondents seem to be aware of this problem and choose the partnership of the three bodies to ensure better regulation.

Overall, the findings provide insights into the perceptions of the selected groups of respondents regarding the regulation of Zakat, highlighting the need for transparency, accountability, and effective management of Zakat affairs.

4.9.2 Question Two:

The summary reveals the diverse perceptions of the selected groups of respondents regarding Zakat collections and administrations. The question highlights the challenging concept of Zakat harmonization on a global scale, with examples from provinces in Afghanistan and the emphasis on unity and cooperation among states or regions with shared faith, morals, and language. The significance of common standards and guidelines for Zakat collection, distribution, and utilization across Islamic nations is also addressed.

Additionally, the interconnectedness of certain Islamic nations, their common cultural heritage, economic prosperity, and cooperation through organizations like the Committee of Co-operation of Arab Gulf States are discussed. The potential benefits of accounting harmonization in reducing costs, improving information for centralized agencies, and simplifying supervisory and enforcement roles for tax authorities and securities regulators are also highlighted. Furthermore, the influence of Islamic Shariah on harmonization, particularly in the GCC countries, is emphasized due to its prohibition of usury and the requirement of Zakat in trade transactions.

The Shariah grants a governor the authority to collect Zakat. Therefore, it was essential to gather the opinions of the respondents regarding the appropriate entity responsible for Zakat collection. The respondents were presented with a list of 214 methods for Zakat collection and were invited to indicate their level of agreement with each item on the list. The results have been summarized in Table 4.9.2.

Table 4.9.2 who should collect Zakat

Zakat should be collected by	Frequency	Mean	Median	VAR	S.D
Government (Department of Zakat)	204	4.4	14	1.3	1.1
Islamic Bank	172	3.9	27	1.2	1.1
National Bank	165	3.5	23	1.0	1.0
Charitable organization (NGO's)	203	2.8	36	2.3	1.5

Source: Khogyani (2024).

The overall findings indicate that a significant majority of respondents identified the government, specifically the Zakat Department, as the most appropriate authority for the collection of Zakat. This conclusion is consistent with Shariah principles. The Department of Zakat received an overall mean score of 4.4, placing it in the foremost

position. In contrast, Islamic banks garnered a mean score of 3.9, securing the second position. While a considerable number of respondents concur that Islamic banks are suitable for Zakat collection, their support is not as robust as that for the government. Islamic banks and national banks ranked second and third, respectively, yet received limited endorsement from respondents. This may be attributed to the perception that Islamic banks, due to their commercial nature and insufficient branch coverage, are inadequately equipped to manage Zakat collection.

A notable shift in opinion is observed regarding national banks, which received a mean score of 3.5. There exists a clear dissent regarding the proposition that commercial (interest-based) banks should be permitted to collect Zakat. The predominant reason for this disagreement stems from the fact that national banks operate on interest, which is explicitly condemned in Islam. Consequently, it is deemed unacceptable by Muslim respondents for an organization engaged in unlawful (sinful) transactions to simultaneously perform religious duties. Despite the extensive branch networks, rapid and efficient computerized systems, and the establishment of Islamic windows by national banks, it is unlikely that Muslim sentiment regarding the relationship between national banks and Zakat will shift in the foreseeable future.

Moreover, respondents expressed disapproval of allowing charitable organizations (NGOs) to collect Zakat, as evidenced by the very low mean score of 2.8.

The summary of findings for Research Question Two presents a comprehensive overview of the diverse perspectives on Zakat collection and administration,

underscoring the necessity for unity, cooperation, and harmonization to enhance the effectiveness and consistency of Zakat management across various countries.

4.9.3 Question Three:

For the question of "What are the various perceptions, of the selected groups of respondents, of zakat distributions?" the findings indicate that there are diverse perceptions regarding the distribution and collection of Zakat. The principle in Islamic law emphasizes the importance of collecting and distributing Zakat under strict supervision for those who deserve it. It is not merely an action left to the choice of each Muslim, and adherence to the principles of Islamic law ensures that Zakat reaches those who are most in need.

In Saudi Arabia, the Zakat Department is responsible for the distribution and collection of Zakat, ensuring fair and just distribution according to Shariah principles and government regulations. However, in other nations, there are no established regulations for the gathering or allocation of Zakat, leading to reliance on individuals, Islamic banks, and charitable organizations for its collection and distribution.

As mentioned in the previous chapter, the Zakat base is 2.5 percent of Muslims wealth. It's important to ask the respondents' opinion on who should distribute Zakat. A summary of the respondents' opinion is presented in tables 4.9.2. The earlier analysis indicated that a significant proportion of respondents supported the proposal that Zakat should be collected by the Department of Zakat (government). The ranking of the means

in these two tables is similar to those in the previous two tables concerning the collection of Zakat.

Table 4.9.3 who should distribute Zakat

Zakat should be distributed by	Frequency	Mean	Median	VAR	S.D
Government (Department of Zakat)	217	4.3	17	1.2	1.1
Islamic Bank	166	3.8	15	1.1	1.1
National Bank	150	3.3	16	1.0	1.0
Charitable organization (NGO's)	202	3.0	41	2.3	1.5

Source: Khogyani (2024).

It can be seen from table 4.9.3 that a high proportion of the respondents supported the proposal that the Department of Zakat, with a mean of almost 4.3, is a suitable candidate to distribute Zakat. The respondents also recommended Islamic Bank as candidates to distribute Zakat, with the second highest mean of 3.8. The result can be explained on the grounds that distributing Zakat is an expensive exercise and the government can afford it.

Islamic banks have insufficient infrastructures to support the distribution of Zakat. Most respondents disagree that national banks should distribute Zakat. This is due to the *riba* (interest) problem discussed previously. Also, most respondents disagree that charitable organizations seem to be suggested by the participants since these organizations work closely with various sections of the society and they are placed in a better position than the government agencies to identify the needy.

Overall, the administration of Zakat varies across different countries, with some countries having a centralized system managed by a specific department, while others

rely on voluntary contributions and organizations for the distribution and collection of Zakat. These findings highlight the need to understand the different perceptions and practices regarding Zakat distributions within various countries and regions.

4.9.4 Question Four:

The summary, which focuses on the perceptions of the selected groups of respondents regarding the causes of variation in measuring Zakat, reveals several key insights related to accounting measurement variations in Islamic countries.

The question addresses the differences in accounting measurement and disclosure of Zakat, highlighting the need for further research and standardization to ensure consistency and comparability across Islamic countries. It provides detailed examples of the accounting measurement and disclosure of Zakat in Saudi Arabia, particularly focusing on aspects such as depreciation of fixed assets, allowances and reserves, expenditure, wages and salaries, end of service awards, inventory, bad debts, and fees of a firm's board of directors.

The question emphasizes the importance of adhering to Islamic principles and regulatory guidelines in the accounting measurement and disclosure of Zakat. It also underscores the need for further research and standardization across Islamic countries to achieve consistency and comparability, facilitating better financial reporting and analysis of Zakat.

For many Muslims, the activities of companies and the degree of their compliance with Islamic Shariah principles is of paramount importance. Muslims are less likely to

invest in companies that deal with interest or companies that avoid paying Zakat. To them, in the process of making investment decisions, having access to detailed information on the sources and uses of Zakat within a company is crucial.

Harmonisation of financial reports within a country would help investors understand a company's position vis-à-vis Zakat and, therefore, help them make religiously and/or financially sound investment decisions. This question is to determine whether respondents feel harmonisation of Zakat measurement and disclosure is possible in Afghanistan. Judging by the high -overall means in the table, respondents' opinions towards Zakat measurement and harmonisation are highly positive. The country populations could, therefore, welcome the harmonisation of measurement and disclosure of Zakat. But table 5.7 does show to be highly significant at the 1 percent level on all four items, suggesting different levels of agreement among correspondents.

Table 4.9.4 Zakat measurement and disclosure

	Frequency	Mean	Median	VAR	S.D
Harmonization of zakat measurement is possible in Afghanistan	261	4.3	23	1.0	1.0
Harmonization of zakat disclosure is possible in Afghanistan	217	4.3	25	1.0	1.0
Harmonization of zakat measurement is important in the country	225	4.1	24	1.3	1.1
Harmonization of zakat disclosure is important in Afghanistan	214	4.1	28	1.1	1.0

Source: Khogyani (2024).

By examining the respondent, it become clear that Harmonization of zakat is measurement is possible in Afghanistan with 4.3 Mean also Harmonization of zakat disclosure is the same mean which is 4.3. And other side the respondent is agree that

Harmonization of zakat measurement is important in the along with disclosure with same means which is 4.1.

Overall, the findings provide a comprehensive understanding of the variations in measuring Zakat and underscore the significance of standardization and adherence to Islamic principles in accounting measurement and disclosure across Islamic countries.

4.9.5 Question Five:

The summary of findings for Research Question Five, which pertains to the various perceptions of the selected groups of respondents regarding zakat payment, can be outlined as follows:

1. The Qur'an and the Sunna emphasize the significance of Zakat as a form of charity and a religious duty, serving as proof of one's belief and faith in The Day of Judgment. Individuals who fulfill the obligation to give Zakat relinquish greed and attain success, purifying their souls and improving their self-images.
2. Payments of Zakat act to purify the soul and improve people's self-images, helping individuals to overcome greed and ensuring that the accumulation of wealth remains pure and lawful.
3. Zakat signifies the concept of self-purification, and those who give and receive Zakat understand that they belong to a compassionate human community. The practice fosters warmth, compassion, and unity among members of an Islamic society, reducing feelings of jealousy and reinforcing Islamic brotherhood.

4. Zakat plays a vital role in diminishing feelings of resentment, envy, and animosity within the less privileged towards the affluent members. It aims to reduce poverty and its negative consequences, prevent criminal activities, safeguard dignity, help individuals find employment, ensure that disabled persons are respected, and assist those in debt.

5. Through the giving and receiving of Zakat, Muslims aim to foster a sense of unity, fulfill their religious obligation, and strive to purify their wealth and souls, as well as contribute to the reduction of poverty and the promotion of social welfare within the Muslim community.

4.9.5.1 The percentage of Zakat that should be paid

In an effort to ascertain the appropriate percentage of Zakat to be remitted to the collection authority, respondents were presented with a series of options to indicate their levels of agreement or disagreement. The analyses of their responses are documented in Tables 4.9.5 (a).

Table 4.9.5 (a) Percentage of zakat that should be paid

	Frequency	Mean	Median	VAR	S.D
25 % of the total amount of Zakat	179	3.0	23	2.8	1.7
50%	149	2.9	24	1.7	1.3
75%	134	2.7	19	0.9	1.0
100%	213	3.9	24	2.0	1.4

Source: Khogyani (2024).

It is evident from Table 4.9.5 (a) that the respondents participating in this study predominantly support the allocation of the entirety of their Zakat contributions to the collecting institution. This is reflected in the overall item mean of 3.9, which ranks first. As the percentage of Zakat allocated decreases, the level of agreement correspondingly diminishes; specifically, responses indicating allocations of 25 percent, 50 percent, and 75 percent yield mean rankings of second, third, and fourth, respectively.

This finding is further substantiated by the analysis of individual means across the groups, which indicate that the mean for the full allocation of 100 percent is the highest, followed by a gradual decline in means for lower percentages.

4.9.5.2 Satisfaction with methods used to calculate Zakat

In Saudi Arabia the Zakat Department uses two methods for calculating Zakat. In other Islamic countries, there is no official regulation governing Zakat evaluation, distribution and collection. Islamic banks, charitable organisations, and Zakat payers must, however, themselves evaluate the amount of Zakat to be paid. It was, therefore, of interest to seek the respondents' opinions on the methods of calculating Zakat used by the Zakat Department.

The respondents were asked to express the level of their satisfaction with the way Zakat is distributed and collected by the Zakat Department. The statistical summaries and tests are reported in tables 4.9.5 (b).

Table 4.9.5 (b) Satisfaction with methods used to calculate Zakat

	Frequency	Mean	Median	VAR	S.D
The current method of Calculating Zakat is satisfactory	261	3.0	50	2.3	1.5
The current method of Collection Zakat is satisfactory	209	2.7	38	2.4	1.5
The current method of Distribution Zakat is satisfactory	215	2.6	38	2.3	1.5
The current method of administration of Zakat is satisfactory	241	2.8	44	2.6	1.6

Source: Khogyani (2024).

Taking the overall mean it seems that while there is no clear dissatisfaction with the current method of evaluation of Zakat, the mean of 3.0 does not show sufficient levels of satisfaction. Knowing that the scale is between 1 for strongly disagree to 5 for strongly agree with 3 for undecided, it can be seen that the mean is between agree and disagree level. This result also means that many respondents are dissatisfied with the evaluation method. The means for the method of collection and distribution are even lower, below the value of 3.

Moreover, Zakat payers may think that the government should set up its own budget to help the needy and the poor, while they should be given the opportunity and honour to locate the poor and needy by themselves.

These findings highlight the multifaceted impact of Zakat payments on individuals and society, emphasizing its role in promoting compassion, unity, and social justice within Islamic communities.

4.9.6 Question Six:

The summary of findings for Research Question Six regarding the various perceptions of the selected groups of respondents on Zakat accounting methods is as follows:

The respondents provided insights into the two approaches available for determining the Zakat base for trade activities, which are the direct approach and the indirect approach. The direct approach involves calculating Zakat based on the actual value of assets and liabilities related to trade activities, while the indirect approach calculates Zakat based on the net profit generated from trade activities. Both approaches aim to determine the Zakat obligation, and the choice between the two methods depends on the nature of investment in other companies and the consistency of financial records.

4.9.6.1 The placement of Zakat in annual reports

Zakat is simply a transfer of certain amounts of money or material goods from a person who is able to pay to a person who is in need of help. In other words, Zakat is a transfer payment from the wealthy to the poor for the purpose of redistribution of wealth and income, in order to achieve social and economic justice in Muslim society.

Many Muslims are highly interested in the activities of their companies and their degree of compliance with Islamic Shariah principles. Many of them would like to see detailed information on the sources and uses of Zakat. In some Islamic countries, such as Egypt, the Faisal Islamic Bank includes in its annual report detailed information on how it accounts for Zakat, as well as information on conventional financial statements such as

profit or loss accounts and balance sheets. It includes statements of source and uses of Zakat.

The statement is followed by a note explaining the figures appearing in the statement. Such detailed information enables Muslim investors to make informed investment decisions. Accordingly, the respondents were asked to give their views about the location of Zakat information in the annual report. The results are summarised in tables 4.9.6 (a).

Table 4.9.6 (a) Placement of Zakat in the annual report

Place of zakat statement annual should be in	Frequency	Mean	Median	VAR	S.D
a separate section	256	4.5	31	0.8	0.9
Shariah advisory and supervisory report	220	4.1	44	1.1	1.0
director's report	199	4.0	47	0.9	0.9
chairman's report	177	4.2	30	0.8	0.9
accounting policies	218	4.1	52	0.7	0.9
notes to the financial statements	223	4.1	57	0.9	0.9

Source: Khogyani (2024).

By examining table 4.9.6 (a), and by looking at the ranking of the means, the highest means are in the first and Forth items, which are almost equal (4.5 and 4.2). Thus, respondents would prefer either to put Zakat in a separate section or in a chairman' report. And the second, third and fifth items are equal 4.1 and the lowest is the Sharia adivsory report and director's report (4.1 and 4.0).

4.9.6.2 Variations in Zakat evaluation

Generally accepted accounting principles permit flexibility in profit measurement and this affects the calculation of Zakat. Some companies may be tempted to avoid

paying Zakat or reduce the Zakat amount by means of increasing expenditure and manipulating profit figures. In order to investigate the possible causes of variation in accounting for Zakat, respondents from all groups involved in this study were provided with a list of possible causes and asked to give their opinion from a five point scale (1 = strongly disagree to 5= strongly agree)

Table 4.9.6 (b) Variations in Zakat evaluation

	Frequency	Mean	Median	VAR	S.D
Depreciation	219	3.9	45	0.8	0.9
Bad debts	205	4.1	36	0.8	0.9
Allowance & reserves	207	4.3	12	0.5	0.7
Expenditures	206	4.2	30	0.5	0.7
End of the services rewards	200	4.2	22	0.7	0.8
Fees of firm's board of Director's	197	4.1	16	0.7	0.8
Salaries, wages & similar items	207	4.1	32	0.8	0.9
Loss from previews years	203	4.0	32	0.8	0.9

Source: Khogyani (2024).

Tables 4.9.6 (b) summarise the statistical results . The discussion concentrates on all variation items since they were the only ones with mean responses below of 4 (i. e., where the majority responded with agree and strongly agree). According to the means, the top of the variations are allowance & reserves which is 4.3 mean, Expenditures with mean of 4.2 , End of the services rewards with mean of 4.2, bad debts, Fees of firms board of Director's and Salaries, wages & similar items are with mean of 4.1 , Loss from previews years is with mean of 4.0 and Depreciation is with mean of 3.9. The government's Zakat Department measures depreciation according to the specified percentages as a maximum limit and on the basis of a historical value. This evaluation reduces the depreciation amount which inflates the net profit. Treatment of depreciation

does not, however, comply with the criterion of protecting capital, since it may lead to the firm's future inability to replace its fixed assets.

Additionally, when businesses have inconsistent financial records, it is possible to approximate the Zakat base. The estimation can be based on the company's capital at the start of the year using information from the commercial register or contractual agreements, along with the calculation of profits from operations during the year and relevant economic indicators.

Furthermore, the treatment of commercial debts payable and other aspects of financial accounting, such as depreciation of fixed assets, allowances and reserves, expenditure, wages, salaries, end of service awards, as well as inventory valuation, were discussed in detail. Each aspect highlighted how the accounting measurement and disclosure of Zakat in Saudi Arabia exhibits unique features in line with Islamic law and accounting standards.

Overall, the respondents expressed a need for further research and standardization across Islamic countries to ensure consistency and comparability in Zakat accounting methods. This standardization would support better financial reporting and analysis of Zakat, benefiting both organizations and stakeholders involved.

The findings provide a comprehensive understanding of the perceptions of the selected groups of respondents regarding Zakat accounting methods, and emphasize the importance of consistency and comparability across Islamic countries for effective financial reporting and analysis of Zakat.

4.9.7 Question Seven:

The research findings for question seven, which focused on the various perceptions of the selected groups of respondents regarding the effects of Zakat on the individual and society, revealed several significant insights.

1. **Purification and Sanctification:** The respondents emphasized the religious significance of Zakat as a means of purification and sanctification, both for the individual giving Zakat and for the society as a whole. The act of giving Zakat was seen as a form of self-purification and an expression of gratitude to Allah.
2. **Unity and Compassion:** The respondents highlighted how Zakat fosters warmth, compassion, and unity among members of an Islamic society. It was noted that Zakat plays a crucial role in promoting a genuine sense of brotherhood among Muslims and in reducing feelings of resentment and envy within the community.
3. **Poverty Alleviation and Social Welfare:** The findings underscored the role of Zakat in reducing poverty and its negative consequences, such as theft, corruption, and social unrest. Additionally, Zakat was seen as a means to prevent criminal activities, safeguard dignity, provide employment opportunities, and assist those in debt, thereby contributing to social welfare and stability.
4. **Economic Impact:** The research revealed that Zakat has a significant economic impact, as it contributes to the redistribution of wealth within society, preventing the concentration of wealth in the hands of a small group. This redistribution was noted to have positive effects on economic growth, employment, and social progress.

Zakat is the backbone of an Islamic economic system. It is paid in fulfilment of a religious duty. Zakat is used to help solve some aspects of poverty and misery.

Zakat is a responsibility towards society and the needy, and it is paid to comply with Allah's command. Moreover, Zakat helps in maintaining social solidarity amongst Muslims. It lessens the disparity between the poor and the wealthy and removes envy and hatred between the weak and strong. Respondents who took part in this study were given a choice of several factors representing potential benefits of Zakat. The outcome of the respondent's answers is reported in tables 4.9.7.

Table 4.9.7 The potential benefits from Zakat implementation

	Frequency	Mean	Median	VAR	S.D
Satisfy, religious duties	222	4.3	22	0.7	0.8
Improve social justice	229	4.4	27	0.5	0.7
Improve economic efficiency	213	4.4	15	0.6	0.8
Improve the reputation of companies	211	4.2	29	0.8	0.9
Increase local investment	214	4.3	25	0.6	0.8
Promote charitable organization	201	4.2	45	0.7	0.8
Improve the quality of corporate financial reports	219	4.1	42	0.9	0.9

Source: Khogyani (2024).

From table 4.9.7 it is clear that the mean for all responses are more than 4 and it mean that respondent are agree with all the above question. The highest is 4.4 which is zakat improve the social justice and the lownet is 4.1 which is Zakat imrove the quality of corporate financial reports. Also evey group of responent, give different importance to the question's items. For example, academics put social justice at the top while the other three groups classify it as second. Religious duty is classified second by academics while it is classified as first by the other three groups. Economic efficiency is classified fourth by accounting firms and academics while the other two groups classify it third. Finally,

promoting charitable organisations is classified fourth by government officials while the other three groups classify it third. Accounting firm employees do not seem to agree with the proposition that Zakat increases local investment, or that it would improve the quality of corporate financial reports. The other three groups, however, show some agreement with the proposition. Indeed, the announcement and implementation of Zakat in the annual report may give investors additional information which could assist them in making investment decisions. Improving the reputation of companies, increasing local investment, and improving the quality of corporate financial reports were seen as the least beneficial items by investors and government officials. There are, however, also differences, even within these two groups. For example, investors perceive increasing local investment as the least important with a score of 4.02, while for government officials improving the quality of corporate financial reports has the lowest score of 4.03. The two groups also differ in the second lowest scores with investors having a mean response of 4.15 for improving the quality of corporate financial reports, while government officials scored a mean of 4.08 for improving the reputation of companies.

Overall, the findings indicated that Zakat has multifaceted effects on both the individual and society, encompassing spiritual, social, and economic dimensions. The insights provided by the respondents shed light on the broader impact of Zakat beyond its financial aspects, highlighting its role in fostering a compassionate, unified, and welfare-oriented society based on Islamic principles.

This summary encapsulates the key findings related to the perceptions of the selected groups of respondents regarding the effects of Zakat on the individual and society, as derived from the research data and responses.

4.10 Conclusion

In conclusion, the detailed analysis of the research findings on the perceptions of the selected groups of respondents regarding the zakat system provides valuable insights into various aspects of zakat management, administration, and impact. The research has shed light on the diverse perspectives and challenges surrounding zakat regulation, collection, administration, distribution, accounting methods, and the effects of zakat on individuals and society.

Firstly, the findings highlight the importance of regulating the collection processes, methods, and auditing of zakat to ensure transparency, accountability, and adherence to Islamic principles. The role of different entities, such as government agencies and officially designated charities, in regulating zakat in different countries has been emphasized. Furthermore, the need for modernization and adaptation to technology to enhance the effectiveness and efficiency of zakat collection and distribution has been underscored.

Secondly, the research has elucidated the complex challenges of zakat harmonization on a global scale and the significance of unity, cooperation, and the establishment of common standards and guidelines for zakat management across Islamic nations. Examples from provinces in Afghanistan and the influence of entities such as the

Committee of Co-operation of Arab Gulf States have been discussed in the context of fostering cooperation and uniformity in zakat management.

Thirdly, the diverse perceptions regarding the distribution and collection of zakat have been explored, emphasizing the principles of Islamic law and the variations in zakat administration across different countries. The centralized system in Saudi Arabia managed by the Zakat Department, and the reliance on individuals, Islamic banks, and charitable organizations in other nations, have been highlighted, underscoring the need to understand the different practices and perceptions regarding zakat distributions.

Moreover, the research has provided a comprehensive understanding of the variations in measuring zakat and the unique features of accounting measurement and disclosure in Saudi Arabia. The need for further research and standardization across Islamic countries to achieve consistency and comparability in zakat accounting methods has been emphasized.

Furthermore, the multifaceted impact of zakat payments on individuals and society, including its spiritual, social, and economic dimensions, has been elucidated. The significance of zakat as a form of charity, self-purification, unity builder, poverty alleviator, and economic redistributor has been highlighted, emphasizing its broader impact beyond financial aspects.

Overall, the research findings provide valuable insights into the perceptions of the selected groups of respondents regarding the zakat system. The diverse perspectives and challenges discussed in the findings underscore the need for transparency, cooperation, standardization, and broader social welfare considerations in zakat management and

administration. These insights can serve as a foundation for further research, policy development, and practical initiatives aimed at enhancing the effectiveness and impact of zakat systems in Islamic countries.

CHAPTER V:

DISCUSSION

Chapter five discussed the process used to obtain the research data, and provided an overview of the statistical procedures employed in handling the data for subsequent analysis and interpretation. In this chapter, the results of the empirical investigation are presented, analyzed and interpreted. Data were analyzed according to the statistical methods outlined in the methodology chapter. This chapter proceeds as follows. Firstly section discussion of research question one, secondly discussion of research question two, thirdly discussion of research question three, fourthly discussion of research question four, fifthly discussion of research question five, sixthly discussion of research question six, seventhly discussion of research question seven, and the last section concludes the chapter with a brief summary of the main findings.

5.1 Discussion of Research Question One

The results presented in the study provide significant insights into the perceptions of various groups regarding the regulation of zakat, which is a form of almsgiving in Islam and considered a religious obligation. The research question aimed to uncover who these respondents believe should be responsible for regulating zakat, and their responses demonstrate a clear preference for a collaborative approach involving government, academics, and Muslim scholars.

- 1- Historical Context of Regulation: The study notes that while accounting regulation has been a fixture in developing countries, zakat itself remains

unregulated in a formal sense. This context is crucial as it sets the stage for understanding why the participants believe regulation is necessary. The growing prominence of zakat in Islamic societies indicates a potential shift toward formalizing its governance, prompting the need for clear guidelines and accountability measures.

2- Support for a Collaborative Approach: The data shows that respondents favor a partnership among government entities, academic institutions, and religious scholars. This preference for a tripartite regulatory model is reasonable for several reasons:

- Expertise: Academics and Muslim scholars bring essential knowledge and ethical perspectives to the table, enabling the creation of standards that align with both religious principles and contemporary accounting practices. Their involvement suggests a recognition of the need for expertise in establishing credible frameworks.

- Implementation Challenges: The study highlights a significant point regarding the lack of means for academics and scholars to enforce these standards. This suggests that while they are capable of setting guidelines, the state must play a role in enforcing them due to its resources and authority. Respondents seem to recognize this dynamic, leading to the call for government involvement.

3- Cultural Considerations: The findings also reflect the cultural context of Afghan society, where the effectiveness of regulation is closely tied to enforcement capabilities. The respondents' acknowledgment of the need for a regulatory body

that can enforce standards speaks to a broader understanding of governance and accountability in the region. It suggests a preference for a system that combines religious and secular authority, which can be more effective in ensuring compliance and trust within the community.

The results have significant implications for the research question regarding perceptions of who should regulate zakat. The strong support for a collaborative framework indicates a collective acknowledgment among respondents of the complex nature of zakat regulation, which transcends simple bureaucratic oversight.

1. **Balanced Regulation:** The findings imply that effective regulation of zakat requires a balance between religious and secular perspectives, ensuring that the spiritual essence of zakat is preserved while also adhering to necessary financial accountability standards.
2. **Future Directions:** This collaborative model could pave the way for future research on how such partnerships can be operationalized in practice. It raises questions about the mechanisms through which these groups can work together effectively and the potential challenges they may face.
3. **Policy Development:** Policymakers may find the results valuable as they consider how to structure a regulatory framework that incorporates input from diverse stakeholders, ensuring that regulation of zakat is both effective and culturally sensitive.

In conclusion, the findings of this study provide a nuanced understanding of the perceptions surrounding zakat regulation in Afghan society, emphasizing the need for a

multifaceted approach that combines expertise from various sectors of society. This collaborative framework not only addresses the immediate regulatory needs but also respects the cultural and religious dimensions inherent to zakat.

5.2 Discussion of Research Question Two

The findings from the survey on perceptions of Zakat collections and administrations reveal significant insights into the preferences of respondents regarding who should be responsible for collecting Zakat. The results indicate a clear preference for the government (specifically, the Zakat Department) as the primary authority for Zakat collection, with a mean rating of 4.4. This is consistent with Islamic principles, which provide guidance on the role of the state in managing religious obligations such as Zakat.

1. **Alignment with Shariah Principles:** The respondents' overwhelming support for the government aligns with Shariah law, which designates the state as responsible for the collection and distribution of Zakat. This preference reflects a desire for a transparent and accountable system, as government bodies are typically viewed as more reliable in adhering to Islamic guidelines compared to other entities.

2. **Perceived Suitability of Islamic Banks:** The second-highest rating for Islamic banks (mean of 3.9) indicates that while respondents see them as a potential option for Zakat collection, their support is significantly lower than that for the Zakat Department. This could be attributed to concerns regarding the banks' commercial nature and limited branch networks, which may hinder their ability to effectively manage Zakat collection. Respondents likely perceive Islamic banks as less

equipped to handle this religious obligation compared to a government entity specifically tasked with it.

3. Rejection of National Banks: The mean score of 3.5 for national banks indicates a general disagreement with the idea of allowing these institutions to collect Zakat. The reasoning behind this is mainly rooted in the Islamic prohibition of interest (riba), which national banks engage in. Respondents likely view it as contradictory for an institution involved in interest-based transactions to handle a religious duty that is integral to Islamic faith. This reflects a deep concern for maintaining the sanctity of religious practices and ensures that Zakat is collected in a manner consistent with Islamic teachings.

4. Low Support for NGOs: The very low mean score of 2.8 for charitable organizations (NGOs) suggests that respondents are skeptical about their capability or legitimacy to collect Zakat. This could stem from concerns regarding transparency, accountability, or the perceived effectiveness of NGOs in managing religious funds compared to government entities. The results may indicate a preference for structured, regulated environments over potentially less formalized charitable efforts.

The findings directly address the research question regarding the perceptions of various groups concerning Zakat collections and administrations. The clear distinction in preferences for the government over banks (both Islamic and national) and NGOs highlights the respondents' values concerning trust, adherence

to Islamic principles, and the perceived effectiveness of the Zakat collection process.

Overall, these results suggest a strong preference for a centralized and Shariah-compliant approach to Zakat collection, emphasizing the role of the government in ensuring that this important religious obligation is fulfilled in accordance with Islamic law. The skepticism toward alternative institutions reflects broader concerns within the Muslim community about maintaining the integrity and religious significance of Zakat in contemporary financial systems.

5.3 Discussion of Research Question Three

The findings presented in your analysis reflect respondents' perceptions regarding the distribution of Zakat, a key element of Islamic financial practice, which mandates Muslims to donate a portion of their wealth to charity (specifically 2.5% of their savings). The results indicate a clear preference among the respondents for government involvement in the distribution of Zakat, particularly through a dedicated Department of Zakat, as well as a secondary preference for Islamic banks.

1. Support for Government Distribution: The high mean score (4.3) suggests that respondents view the Department of Zakat as a credible and suitable entity for distributing Zakat. This finding can be contextualized by considering the government's capacity and authority in managing funds and ensuring proper allocation. Respondents may perceive government distribution as more organized,

systematic, and potentially more effective in reaching those in need compared to other entities.

2. Role of Islamic Banks: The second preference for Islamic banks (mean of 3.8) indicates that respondents recognize the banks' alignment with Islamic principles and their potential role in promoting Zakat distribution. However, the mention of insufficient infrastructure suggests that while there is support for their involvement, practical limitations may hinder their effectiveness. This reflects a nuanced understanding among respondents that while Islamic banks are a preferable option to secular institutions, they may not have the necessary systems in place to handle Zakat efficiently.

3. Disagreement with National Banks: The respondents' strong disapproval of national banks distributing Zakat due to concerns about riba (interest) aligns with Islamic financial principles, which prohibit interest. This highlights the importance of religious adherence in shaping perceptions about who should handle Zakat, and emphasizes the need for organizations involved in Zakat distribution to operate within the bounds of Islamic law.

4. Skepticism Towards Charitable Organizations: The reluctance to endorse charitable organizations also sheds light on the respondents' perspectives. While these organizations may have ground-level access to communities, respondents seem to be questioning their effectiveness or accountability compared to government agencies. This could stem from concerns about transparency, misuse of

funds, or a perceived lack of structure in charitable organizations compared to formal governmental systems.

Overall, the findings reflect a strong preference for institutional and organized approaches to Zakat distribution, with a clear inclination towards government involvement as the most trusted mechanism. This is reasonable given the responsibility that Zakat entails and the need for effective management and distribution to ensure that it reaches the intended beneficiaries. The insights gathered from this research question reveal important societal attitudes towards Zakat administration, which can inform policy and practice in the context of Islamic finance and social welfare.

5.4 Discussion of Research Question Four

The findings presented provide valuable insights into the perceptions of different groups of respondents regarding the causes of variation in measuring Zakat, particularly in the context of Afghanistan. The results indicate a strong consensus among respondents on the importance of harmonization in both the measurement and disclosure of Zakat, as reflected by the high mean scores (4.3 for both measurement and disclosure, and 4.1 for the importance of harmonization).

1. Importance of Compliance with Shariah Principles: The introductory context highlights that for many Muslims, adherence to Islamic principles, including the payment of Zakat, is critical in their investment decisions. This indicates a broader cultural and religious significance attached to Zakat, which shapes how individuals view financial practices. The hesitation to invest in companies that do not comply

with Zakat obligations underscores the need for transparency in financial reporting regarding Zakat, reinforcing the idea that Zakat is not merely a financial obligation but a matter of religious adherence.

2. Need for Detailed Information: The finding emphasizes that investors require access to detailed information regarding Zakat sources and uses to make informed decisions. This indicates a gap in current reporting practices and suggests that better disclosure could enhance trust and confidence in the financial practices of companies, thereby influencing investment choices among Muslim investors.

3. Harmonization as a Solution: The notion of harmonization in financial reporting is presented as a potential solution to address the inconsistencies in Zakat measurement and disclosure. The respondents' positive views towards the harmonization process (high mean scores) suggest a collective recognition of the benefits that a standardized approach could bring. This aligns with global trends in financial reporting where harmonization is seen as a means to improve transparency and comparability.

4. Statistical Significance and Variability: The mention of high significance at the 1 percent level across the items indicates a robust statistical foundation for the claims made. However, it also points to variability in agreement among respondents, suggesting that while there is overall support for harmonization, there may be differing opinions on specific aspects or implementation strategies. This variability could stem from different interpretations of Zakat obligations, regional differences

within Afghanistan, or varying levels of understanding regarding financial reporting standards.

5. Implications for Policy and Practice: The positive inclination towards the harmonization of Zakat measurement and disclosure presents an opportunity for policymakers and financial regulators in Afghanistan. A concerted effort to establish standardized practices could not only enhance the credibility of financial statements but also foster a greater sense of community trust in corporate governance practices.

The findings directly relate to the research question by elucidating the perceptions of respondents regarding the causes of variation in measuring Zakat. The strong support for harmonization indicates that varying practices in Zakat measurement and disclosure are perceived as problematic and that a unified approach could mitigate these variations. The respondents' emphasis on the importance of transparency in Zakat reporting emphasizes the need for clarity and consistency, which are crucial for aligning financial practices with Islamic principles.

In conclusion, the results suggest a strong desire among respondents for improved harmonization in Zakat measurement and disclosure in Afghanistan, highlighting a collective understanding of its significance in fostering ethical investment practices and enhancing compliance with Islamic values. This underscores the broader implications for the financial ecosystem within the country and the potential for developing frameworks that support both religious obligations and financial integrity

5.5 Discussion of Research Question Five

The findings highlighting a clear preference for contributing the full zakat amount to a collection authority, as well as a notable ambivalence regarding the methods used for calculating and distributing zakat.

1. Preference for Full Zakat Payment:

- The respondents overwhelmingly favor paying 100% of their zakat to the collecting institution, as evidenced by a high mean score of 3.9. This suggests a strong belief in the efficacy or necessity of centralized zakat collection and distribution. The descending mean scores for lower percentages (25%, 50%, and 75%) further reinforce this preference, indicating that respondents perceive full payment as the most appropriate or effective option.

- This inclination may relate to the belief that a centralized body (like the Zakat Department) can manage and distribute zakat more effectively than individuals could on their own. It may also reflect trust in the institution's ability to identify and support those in need.

2. Satisfaction with Zakat Calculation Methods:

- Despite the support for full payment to the collection authority, there is a moderate level of dissatisfaction with the methods employed by the Zakat Department for calculating and distributing zakat. The average mean score of 3.0 suggests that respondents are divided, with many expressing concern or dissatisfaction about the evaluation processes.

- This finding can be contextualized within the broader landscape of zakat management. In Saudi Arabia, where a structured system exists, respondents may

expect higher accountability and transparency. In contrast, in other Islamic countries without formal regulations, individuals might feel less assured about the distribution process, leading to varying degrees of satisfaction based on their personal experiences or beliefs regarding efficacy and fairness.

3. Desire for Autonomy in Locating Recipients: The notion that zakat payers believe they should have the opportunity to identify the needy themselves suggests a desire for personal agency in the charitable process. This perspective may stem from a belief that individuals can better assess the needs of their communities than a centralized authority. It reflects a broader tension between collective management of resources versus individual agency in charitable giving.

These findings are reasonable given the cultural and religious significance of zakat in Islam. Zakat is not just a charitable contribution; it is a religious obligation that underscores social responsibility and community support. The perceived importance of full compliance with zakat obligations likely drives the preference for centralized payment.

Moreover, the mixed sentiments regarding satisfaction with collection and distribution methods may indicate an evolving understanding of governance and accountability in charitable practices. As societies grow and change, so too do expectations around how religious and charitable obligations are managed.

In summary, the respondents' perceptions reflect a complex interplay between trust in centralized authority and a desire for personal involvement in charitable practices. These insights are crucial for understanding how zakat systems can evolve to meet the

expectations and needs of the community while ensuring that the underlying principles of zakat are upheld.

5.6 Discussion of Research Question Six

The findings presented in the excerpt provide valuable insights into the perceptions of various respondents regarding zakat accounting methods and their placement within annual reports. This analysis is crucial to understanding how these perceptions align with Islamic financial principles and the broader context of corporate social responsibility.

1. Importance of Zakat in Islamic Finance:

Zakat is a fundamental pillar of Islam, aimed at wealth redistribution and social justice. It reflects not only a religious obligation but also a moral imperative for businesses and individuals who possess wealth. Thus, the way zakat is accounted for and reported is of significant interest to stakeholders, particularly Muslim investors.

3. Placement of Zakat in Annual Reports:

The findings indicate a preference among respondents for detailed and transparent reporting of zakat within annual reports. The top-ranking preferences for placement—either in a separate section or within a chairman's report—suggest that stakeholders value clear communication regarding zakat practices. This aligns with the principles of accountability and transparency, which are essential in Islamic finance. The emphasis on detailed information allows investors to make

informed decisions, fostering trust and credibility in the financial reporting of Islamic institutions.

4. Variations in Zakat Evaluation:

The results regarding variations in zakat evaluation reveal concerns about the integrity of zakat calculations. The respondents identified several factors, such as allowances, reserves, and expenditures, that could influence the reporting of zakat. The high means for these items indicate a strong consensus that companies may manipulate financial statements to reduce their zakat liabilities. This highlights a potential ethical dilemma within the realm of zakat accounting, where the flexibility allowed by generally accepted accounting principles could lead to non-compliance with Islamic obligations.

5. Role of Depreciation:

The mention of depreciation and its treatment in zakat calculations underscores a critical area for further scrutiny. The practice of measuring depreciation based on historical values and specific percentages may not accurately reflect the true economic situation of a company. This could result in inflated profits and, consequently, a reduced zakat obligation. The finding that depreciation received the lowest mean score (3.9) suggests that respondents are aware of the potential for accounting practices to undermine the fundamental principles of zakat.

The findings are reasonable given the socio-economic and cultural context in which zakat operates. In many Islamic societies, there is a strong expectation for businesses to adhere to ethical standards, including fair treatment of zakat obligations.

The desire for clear and accessible zakat reporting reflects a broader trend towards transparency and accountability in corporate governance. Additionally, the identification of potential manipulation in zakat calculations speaks to a wider concern about ethical practices in financial reporting.

Overall, the results provide a nuanced understanding of how different groups perceive zakat accounting methods. They highlight the importance of transparency and ethical considerations in financial reporting, particularly for Islamic institutions. As these groups navigate the complexities of zakat, the insights gained from this study can inform future practices, ensuring that they align with both Islamic principles and the expectations of stakeholders. The findings could also serve as a basis for developing more standardized frameworks for zakat reporting, promoting consistency and trust in the financial practices of Muslim-owned enterprises.

5.7 Discussion of Research Question Seven

The results presented reflect the perceptions of various groups regarding the effects of zakat on individuals and society, aligning closely with the research question. Zakat, an obligatory form of almsgiving in Islam, is not only a religious duty but also a critical component of the Islamic economic framework aimed at addressing societal inequalities, enhancing social justice, and fostering communal welfare.

1. **General Agreement on Benefits of Zakat:** The data indicates that respondents across all groups generally agree on the positive effects of zakat, as evidenced by mean scores above 4 on the scale used. This suggests a strong consensus on the

belief that zakat contributes to societal well-being, poverty alleviation, and social cohesion.

2. High Value on Social Justice: The highest mean score (4.4) related to zakat improving social justice highlights its perceived role in reducing disparities between the affluent and the impoverished. This finding is reasonable given that one of the fundamental purposes of zakat is to redistribute wealth and promote equity, thus fostering a sense of community and solidarity among Muslims.

3. Diverse Priorities Among Groups: The differences in rankings of zakat's benefits among various respondent groups provide insight into varying perspectives. For instance, academics prioritize social justice, reflecting an analytical emphasis on equity and societal welfare, whereas religious duty is more important to other groups. This divergence suggests that different stakeholders may have distinct motivations and interpretations of zakat's role, influenced by their professional backgrounds and values.

4. Economic Considerations: The relatively lower importance placed on economic efficiency and the quality of corporate financial reports by accounting firms and academics (both scored 4.1) could reflect a critical view of zakat as primarily a spiritual or social obligation rather than a tool for economic enhancement. However, the acknowledgment of zakat's potential to improve corporate reputation and local investment among other groups indicates an emerging recognition of zakat's role in the broader economic context.

5. Disagreement on Specific Propositions: The lack of agreement among accounting firm employees regarding zakat's impact on local investment and corporate financial reporting underscores a potential skepticism or a need for further evidence on these economic benefits. In contrast, other groups are more optimistic about these aspects, indicating that perceptions of zakat can vary significantly based on the respondents' professional or personal experiences.

This study's findings are relevant in the context of increasing interest in the socio-economic implications of zakat within Islamic finance and development economics. As societies navigate issues of poverty and inequality, understanding the multifaceted perceptions of zakat can inform policy and practice. The diverse viewpoints can guide initiatives aimed at enhancing the effectiveness of zakat distribution and maximizing its societal benefits.

Additionally, the findings can stimulate further research into how zakat can be more effectively integrated into corporate governance and financial practices, thus bridging the gap between religious obligations and economic realities. By highlighting the varied perceptions, this study contributes to a more nuanced understanding of zakat's role in contemporary society, encouraging dialogue among scholars, practitioners, and policymakers.

In summary, the results reveal a strong overall agreement on the positive role of zakat in society, while also highlighting important differences in perceptions across various groups, which can inform future discussions and initiatives surrounding zakat's implementation and impact

CHAPTER VI:

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

This chapter provides a summary of the main findings of the study and briefly discusses the implications of these findings for the formulation of a Zakat Accounting system in the context of Afghanistan. The chapter proceeds as follows: section 6.1 provides a summary of the thesis, chapter; section 6.2 presents the “main conclusions obtained from the study; section 6.3 gives recommendations to reconcile accountancy measurement and the Zakat base; other recommendations and section 6.4 is Conclusion

6.1 Summary

6.1.1 Chapter one

The first chapter of the dissertation provides an overview of the Islamic economic principles and gives a briefing on the background of Afghanistan. It discusses the importance of Islamic economics in regulating the relationship between individuals and Allah Almighty. The chapter also highlights the significance of maintaining a harmonious relationship with fellow human beings according to Islamic teachings. Additionally, it addresses the fundamental beliefs within Islam and the role of zakat in addressing income inequalities.

6.1.2 Chapter two

The second chapter reviews existing academic literature related to the zakat system in Afghanistan. It discusses the significance of zakat as an institution in Muslim societies and the factors influencing individual decisions in zakat contributions. The chapter also explores the use of social media in facilitating zakat payments and the impact of Islamic

principles on the financial performance of Sharia commercial banks in Indonesia. Furthermore, the chapter highlights the challenges and gaps in the literature regarding the collection and distribution of zakat funds in Afghanistan.

6.1.3 Chapter three

This chapter introduced the topic of the thesis and set out the methodology, Research problems, operationalization of theoretical construct, the significance of zakat able wealth in term of amount and ratios, research design, population and samples, data collection procedures, data analysis and research design limitations.

6.1.4 Chapter Four

The fourth chapter presents the major findings and results of the research conducted on the zakat accounting system in Afghanistan. It evaluates the current state of the zakat system, identifies challenges in zakat collection and administration, and proposes strategies to enhance the distribution and utilization of zakat funds. The chapter also assesses the institutional capacity and coordination related to zakat management and explores ways to raise public awareness and promote voluntary compliance.

6.1.5 Chapter five

In the survey study a sample of 309 respondents was selected from four provinces and capital as central from different occupations.

To begin with, the crucial question of whether respondents paid Zakat was addressed. All respondents declared that they did. It might be claimed that respondents may not be relied upon in this question, since they cannot declare openly that they were

abstaining from performing one of the five pillars of Islam. However, from the researcher's experience in Afghanistan, Zakat is paid by all those eligible to pay. Moreover, since the rate is only 2.5 percent, it does not constitute a burden on the Zakat payer. If the strong belief of Muslims in compensation by Allah in the hereafter is added to the picture, it will be clear that at least most respondents do pay their annual Zakat.

Thus, since Zakat is being paid by (virtually) all Zakat payers, the question then arises whether some sort of regulation should govern it. Another question is whether to let individuals pay Zakat at their discretion (the liberal case), or whether an institution should play the role of evaluating, collecting and distributing Zakat (the centralized case). The advantage of the liberal case is that Zakat payers can gain the spiritual (and social) benefit of personally giving money to the needy. They may be thanked and praised, their social status may improve, and this in turn would encourage Zakat payers to pay in the future. Even between the Zakat payer and God, the Zakat payer would feel more satisfied that he/she had performed his/her duty to God if it is known that the money he/she gave went to and was spent by the poor and needy.

Some people may not wish to declare the size of their wealth as they think it is a private and personal matter, not to be known by others. They prefer, therefore, a more discreet method of evaluating and paying Zakat. Finally, although income tax has not yet been applied in the whole country; we may assume that when governments introduce other (earthly) taxes, many taxpayers will attempt to evade paying taxes since they do not consider they are committing a sin. If they were, however, to declare their real wealth for

Zakat evaluation, that would undermine their tax evasion. Thus, it is preferable from this point of view to follow a liberal system in Zakat collection and distribution.

Having said that, the centralized system also has many advantages. In terms of redistribution of wealth, a centralized system would work better, since the central Zakat institution would cover the whole country rather than a small area. It might well happen that in some high-income areas there are only a few needy individuals and far more Zakat payers, while in other areas only a few Zakat payers and many needy individuals. In the liberal system therefore, we may end up in an unfair distribution of Zakat money, where the needy of one area will collect far more money than those in other areas.

Another advantage is the accumulation of technical expertise and information handling characteristics of a centralized institution. Muslims do not all know the complicated Zakat evaluation method, and this can be greatly facilitated by a central Zakat body, which would have the means and capability of providing Zakat payers with free evaluation. Moreover, it might well be expected that some Zakat payers do not know to whom they should pay Zakat. In other cases, Zakat payers may be individuals who may be acting as to be poor to obtain easy money. Indeed, there are many people who use this kind of ruse and spend several days visiting tens of towns and cities to collect from wealthy Zakat payers. This information problem would be solved by a central institution, as it would be easier to identify these corrupt and false beneficiaries. Finally, there is what might be called the wholesale or bulk phenomenon. Suppose 100 Zakat payers each pay \$500 in Zakat. If they pay for it separately, they would be giving \$500 to a variety of needy people who, in turn, will tend to use it in consumption (since it is not an amount

that allows for investment). If, instead, they paid it to a single institution, then that institution would have \$500,000 which could be invested or used for important social projects.

Any political, social or economic project cannot be successful without the agreement and co-operation of most of the population. If the whole country introduces any Zakat system, they will have to draw it up in line with the population's beliefs and opinions. There are many questions relating to the evaluation, collection and distribution of Zakat, and understanding the attitude of people towards these questions is crucial if the system is to have any chance of success. The aim of this survey has been to assess public attitude regarding several very important questions relating to Zakat.

6.2 Implications

The implications of the comprehensive review of the zakat Accounting system in Afghanistan, its challenges, and potential solutions in the light of Sharia for the dissertation are multi-faceted and span various spheres including academia, policymaking, religious institutions, and civil society. Here are detailed implications for the dissertation:

6.2.1. Academic Implications:

- The dissertation provides a comprehensive analysis of the zakat system in Afghanistan, offering a valuable resource for researchers and scholars interested in Islamic finance, economics, and social welfare in the Afghan context. It contributes to the existing literature by addressing gaps and

providing insights into the challenges and potential solutions for the zakat system.

- It lays the groundwork for further academic research on zakat management, compliance behavior, and the impact of zakat on poverty alleviation and socio-economic development in Afghanistan. Future studies can build upon the findings and recommendations presented in the dissertation.

6.6.2. Policy Implications:

- The findings and recommendations of the dissertation can inform policy-making efforts in Afghanistan related to the collection, distribution, and management of zakat funds. Policymakers can use the insights provided to design and implement more effective and transparent zakat regulations and processes.
- There is a need for policymakers to engage with religious scholars, government institutions, and civil society organizations to improve the governance and oversight of the zakat system. Strengthening institutional capacity and coordination is essential for ensuring the successful implementation of zakat in Afghanistan.

6.6.3. Religious Institutions Implications:

- The dissertation highlights the role of religious institutions, scholars, and leaders in promoting awareness and understanding of zakat among the Muslim population in Afghanistan. It underscores the importance of clarifying misconceptions and fostering a culture of compliance with zakat obligations.

- Religious institutions can use the insights from the dissertation to enhance their educational programs, advocacy efforts, and community outreach initiatives related to zakat. By promoting a deeper understanding of zakat principles and benefits, religious institutions can encourage greater participation and support for the zakat system.

6.2.4. Civil Society Implications:

- Civil society organizations play a crucial role in facilitating the collection, distribution, and utilization of zakat funds in Afghanistan. The dissertation emphasizes the importance of transparency, accountability, and efficiency in zakat management, which can be supported by civil society actors.
- Civil society organizations can leverage the findings of the dissertation to advocate for improved governance, monitoring mechanisms, and public awareness campaigns related to zakat. By collaborating with government authorities and religious institutions, civil society can help strengthen the zakat system and maximize its impact on poverty alleviation and social welfare.

In conclusion, the dissertation on the comprehensive review of the zakat system in Afghanistan has significant implications for academia, policymaking, religious institutions, and civil society. By addressing the challenges and proposing solutions in alignment with Sharia principles, the dissertation aims to contribute to the effective management and utilization of zakat funds in Afghanistan for the betterment of society.

6.3 Recommendations for Future Research

This section outlines some important recommendations for future research which may help achieve the necessary degree of reconciliation on the accountancy measurement of elements of the Zakat base. These measurements are also assessed according to the standards and principles of Islamic jurisprudence. Thus, many of the recommendations presented here were not discussed in the previous section. Wherever relevant, the views of the respondents will, however, be taken into consideration.

6.3.1 Reconciling accountancy measurement and Zakat base

The statistical analysis revealed several important issues relating to Zakat evaluation, collection and distribution. These issues are mainly in line with the research questions discussed in chapter five. Many technical questions relating to pure accounting practice could not be discussed with respondents since they were not all accountants. However, many important conclusions were drawn and discussed at the end of the previous chapter. Most respondents were dissatisfied with the current method used to evaluate Zakat. Moreover, many Zakat payers objected to paying Zakat to official institutions because of their distrust of their companies. An attempt is, therefore, made to recommend some improvements which would be in line with accounting principles as well as compatible with Islamic Shariah. In this way, it is hoped that Zakat payers would have more confidence in companies as well as official Zakat institutions. Accountancy profit represents one of the components of the Zakat base of trade activity. Accordingly, it is recommended that the elements of this base and its measurement be re-defined in such a way as to achieve the required degree of compatibility between the accountancy

measure of the Zakat base of trade activity and its measurement according to the principles of Islamic law.

6.3.1.1 Working capital at the beginning of the period

Working capital at the beginning of the period is the measured working capital in accordance with the document of the financial situation prepared at the end of the previous fiscal period. In other words, measurement of the elements of both the current assets and the current liabilities, according to their values in the previous year's balance sheet, when determining the Zakat base. Measurement of the working capital according to the suggested procedure would achieve the following.

1. Working capital measured at the beginning of the period does not involve any growth that might have happened during the fiscal period because of the firm's ordinary and extraordinary activity. That excludes any ordinary or extraordinary profits or any other gains or invested capital achieved during the fiscal period that may be included in the second element of the Zakat base, such as net profits obtained during the period.
2. Adhering to the criteria of measurement and assessment of the current cost of the elements of current assets and liabilities. These are classified as follows:
 - Monetary elements, being those current assets including debtors, notes receivable, bank, cash and other receivable balances, which consist of current liabilities such as short-term loans, creditors, notes payable, overdraft bank withdrawals, and other payable balances. These monetary elements are measured by their real values from last year's balance sheet without any

reassessment, because these elements represent a firm's fixed rights. In both cases they are limited by a fixed number of monetary units. They may also be represented by a fixed number of monetary units under the disposal of the firm such as bank accounts and cash, which are current accounts themselves.

- Non-monetary elements, which include for example some of the elements of the current assets such as various stockpiles, investments in bonds, shares and deeds, these elements must be re-assessed at the end of the fiscal period under consideration, since this can be practically carried out and since they are affected by fluctuations in prices due to cases of economic inflation and recession.

6.3.1.2 Net profit achieved during the period

Net profits achieved during the period are measurable profits according to the traditional principle of comparing revenue with expenditure in the accountancy concept. Revenue and expenses are determined as follows.

1. Revenue: this should consist of the following.
 - Normal revenue the firm achieves due to selling its goods, produce or services to others. That is, revenue associated with the normal activity of the firm.
 - Non-normal revenue and other gains achieved by the firm during performing its activities such as capital profits due to dealing with its fixed assets or those achieved incidentally, such as collected compensations or any other invested capital.
2. Expenditure: this should consist of the following.

- Normal expenditure such as the price of purchasing goods and raw materials as well as salaries, wages, depreciation of fixed assets and any other expenditure related to a firm's normal activity.
- Incidentally occurring burdens and losses, such as capital losses due to the disposal of fixed assets, and paid compensations or penalties, and any other incidental burdens or losses.

Consequently, the author recommends the following method for the measurement of the Zakat base of trade activity.

Table 6.1.4 sample of the recommended method

Statements	Analytical entries		
	Part 1	Part 2	Total
1 - Working Capital at the beginning of the period			
Current sets (from last year's balance sheet)			
Inventory (after re-assessment at end of period)	X		
Investments in bonds (after re-assessment at end of period)	X		
Debtors	X		
Notes receivable	X		
Bank	X		
Cash	X		
Other receivable balances	X		
Total Current Assets		XX	
(-) Current Liabilities (from last year's balance sheet)			
Short-term loans	X		

Creditors	X		
Notes payable	X		
Overdraft bank withdrawals	X		
Other payable balances	X		
Total Current Liabilities		XX	
Working Capital			XXX
2 - Net Profits achieved during the period			
Revenue			
Normal revenue	X		
Non-Normal revenue and other gains	X		
Total revenue		XX	
(-) Expenditure			
Normal expenditure	X		
Burdens and other losses	X		
Total Expenditure		XX	
Net Profits			XXX
(-) Family expenses (basic needs)*			XX
Zakat Base* (Compared with the minimum)			XXX
Calculation of Zakat amount (2.5%)			XX

* Deduct expenses if the company is private

* Zakat Base = Working Capital + Net Profit

Source: Khogyani (2024).

6.3.2 Recommended treatment for certain types of expenditure

The survey results agree with the current official Zakat practice regarding several issues. There were, however, many items on which the respondent's expressed

dissatisfaction. Therefore, an attempt is made to suggest recommendations for treating some of the items.

6.3.2.1 Depreciation of fixed assets

As reported in the previous chapter, there was disagreement among respondents regarding depreciation. It is suggested that measurement of the depreciation of fixed assets should be carried out because of the following recommendations.

1. Depreciation must be calculated from the outset of the life of a fixed asset; with percentages that correspond with the nature of the fixed asset itself; with the circumstances of its utilization; and, with the nature of the firm's activity. This is to present guided rather than obligatory depreciation percentages, if they can be exceeded under certain circumstances.
2. Depreciation must be calculated based on the current value of fixed asset when measuring the Zakat base. This must also be in accordance with the criteria of measurement and assessment, based on current cost, when determining the Zakat base. Consequently, this would achieve an appropriate measurement of a firm's net profits at the end of the period and, in observance of the criterion of protecting capital, and enabling the firm to replace its fixed assets, which ensure their continuity.

6.3.2.2 Allowances

The treatment of bad debts was found to be the second top variation in Zakat evaluation. Allowances to firms are made to meet any possible losses such as allowances for bad debts. These should be discounted from all types of firms rather than from banks

only, as is currently practiced by the Saudi Department of Zakat and Income. That is provided that these allowances are added to the Zakat base once the losses they were established to meet have not materialized.

6.3.2.3 Previous year's expenditure

In this survey, expenditure from previous years was the top variation in Zakat calculation. It is suggested that expenditure from a previous year(s) should be discounted, if it is real and supported by authentic documents, and that they have been actually paid during the Zakat year under consideration. This is since they are a burden on a firm that had not been deducted during the previous year(s). Consequently, they are regarded as discountable costs.

6.3.3 Academic fee expenditure paid to employees

The researcher suggests that these fees, paid by a firm to its employees, must be raised to a suitable level. Also, it is said that the Department of Zakat and Income must allow a discount, so that the paid sum is in proportion to the increasing costs of education and children's teaching requirements. This also takes into consideration increasing costs of living in general. This allows firms to contribute effectively to prompting their employees to educate their children, which in turn helps reduce illiteracy in society.

6.3.4 Amount of Zakat collected by institution

There was serious disagreement concerning the percentages of Zakat that should be collected by Zakat institutions. The researcher suggests that it is necessary to give the Zakat payer the opportunity to participate in payments of Zakat that have been deducted from his/her wealth and activities. This is crucial, since allowing the Zakat payer to pay

some of the Zakat money personally would increase the awareness that he/she is indeed observing this important pillar of Islam. One suggestion would be that the Department of Zakat should collect a proportion of the Zakat at 1.5 percent of the base rather than all the Zakat at 2.5 per cent of the base. The Zakat payer is, therefore, left with the rest of the Zakat, that is, 1 per cent of the base, to pay those he/she thinks the most deserving, including the poor, the needy and others. Other alternatives, such as an incremental percentage between 50 percent and 75 percent of the 2.5 percent of the base suggested previously, could also be implemented.

6.4 Further recommendations

Based on the findings from the comprehensive review of the zakat accounting system in Afghanistan, the following recommendations are proposed to address the challenges and enhance the effectiveness of the zakat system in alignment with Sharia principles:

1. Standardize Collection and Distribution:

Implement a standardized framework for the collection and distribution of zakat funds across different regions and organizations in Afghanistan. This will help ensure transparency, accountability, and proper utilization of the funds.

2. Governance and Information Systems:

Enhance governance systems and information technology infrastructure within zakat institutions to optimize the collection and distribution of zakat funds. Utilize service application systems to expand the range of collection services and ensure transparency in fund distribution.

3. Compliance and Regulation:

Address weak governance, lack of generally accepted fatwas, absence of zakat accounting standards, and low compliance behavior by improving regulatory frameworks, compliance monitoring mechanisms, and penalizing non-compliance where necessary.

4. Quality Management Systems:

Implement quality management systems that encompass planning, organizing, implementing, and controlling aspects of zakat management to ensure efficient and effective utilization of funds for poverty alleviation and social welfare.

5. Public Awareness and Education:

Launch comprehensive public awareness campaigns to educate the public about the importance of zakat, its benefits, and the proper way to fulfill zakat obligations. Utilize traditional and digital media channels to reach a wider audience.

6. Utilize Mosques for Distribution:

Establish mosques as distribution centers for zakat funds with the support of organizations like BAZNAS to facilitate the distribution of zakat to the needy, orphans, widows, disabled individuals, and other vulnerable groups.

7. Collaboration and Stakeholder Engagement:

Foster collaboration among stakeholders, including government bodies, traditional leaders, religious scholars, civil society organizations, and

researchers, to address barriers and enhance the implementation of the zakat system.

By implementing these recommendations, Afghanistan can strengthen its zakat system, ensure compliance with Sharia principles, promote transparency and accountability, and effectively utilize zakat funds for poverty alleviation and socio-economic development in the country.

6.5 Conclusion

However, there are several challenges that the zakat system in Afghanistan faces. One of the main challenges is the lack of awareness and understanding among the population. Many people are not fully aware of the importance of zakat or how it should be calculated and distributed according to Sharia law. This lack of awareness leads to a decrease in the collection of zakat and a misallocation of funds.

Another challenge is the issue of corruption and mismanagement. There have been instances where zakat funds have been misused or embezzled, which undermines the trust of the public in the system. Corruption not only reduces the effectiveness of zakat in alleviating poverty but also undermines the credibility of the entire system.

To address these challenges, several solutions can be implemented in the light of Sharia law. First and foremost, there needs to be a comprehensive awareness campaign to educate the population about the importance of zakat and its proper calculation and distribution. This can be done through mosques, religious scholars, and media outlets to ensure that people understand their obligations and rights under the zakat system.

Secondly, strict measures should be implemented to prevent corruption and mismanagement of zakat funds. This can be achieved through increased transparency and accountability in the collection and distribution process. The establishment of an independent body to oversee the zakat system and ensure proper oversight and auditing can help in reducing corruption.

Furthermore, efforts should be made to integrate technology into the zakat system. This can include the use of digital platforms for zakat collection and distribution, ensuring a more efficient and transparent process. Technology can also be used to track the end beneficiaries of zakat funds, ensuring that they reach the intended recipients.

In conclusion, the zakat system in Afghanistan faces challenges such as lack of awareness and corruption. However, by implementing solutions such as awareness campaigns, transparency, and technology integration, these challenges can be overcome. This will not only strengthen the zakat system but also contribute to poverty alleviation and social welfare in Afghanistan.

In further examining the zakat system in Afghanistan, it is imperative to take into account several additional considerations:

1. Islamic Principles: The zakat system in Afghanistan operates based on the principles and guidelines outlined in Sharia law. It is designed to ensure social justice, wealth redistribution, and the well-being of the less fortunate members of society. The system aims to create a sense of solidarity and community responsibility among Muslims.

2. **Role of the Government:** The Afghan government plays a crucial role in the implementation and regulation of the zakat system. The Ministry of Hajj and Religious Affairs oversees the collection and distribution of zakat funds, ensuring that it aligns with Sharia principles. The government is responsible for establishing proper mechanisms and institutions to effectively manage zakat funds.
3. **Collaboration with Religious Scholars:** Collaboration between the government and religious scholars is essential in ensuring the proper implementation of the zakat system. Religious scholars provide guidance and expertise in interpreting Sharia law and ensuring that the zakat collected and distributed adheres to its principles. Their involvement helps maintain the authenticity and integrity of the system.
4. **Encouraging Voluntary Contributions:** While zakat is mandatory for eligible Muslims, encouraging voluntary contributions can play a significant role in enhancing the overall impact of the zakat system. Efforts can be made to educate and motivate individuals to contribute beyond their obligatory zakat, thereby increasing the resources available for poverty alleviation and social welfare programs.
5. **Targeted Distribution:** To maximize the impact of zakat, it is crucial to ensure that funds are distributed to those most in need. This requires effective targeting mechanisms to identify and verify eligible recipients. Implementing rigorous assessment criteria and verification processes can help ensure that zakat funds reach those who truly require assistance.

6. Capacity Building and Training: To improve the effectiveness of the zakat system, capacity building and training programs can be implemented. This includes training zakat collectors, distribution agents, and administrators on the proper procedures, ethics, and principles of zakat. Such initiatives can help enhance the efficiency and professionalism of the system.

7. Collaboration with NGOs and Civil Society: Engaging with non-governmental organizations (NGOs) and civil society groups can help strengthen the zakat system's reach and impact. NGOs often have expertise in poverty alleviation, social welfare, and community development, making them valuable partners in implementing zakat-funded projects and initiatives.

By addressing these points and implementing the suggested solutions, the zakat system in Afghanistan can overcome its challenges and effectively fulfill its role in promoting social welfare, poverty alleviation, and economic justice in the country.

APPENDIX A
 QUISTIONNAIRE FORM

Section A: Personal Information

1. Would you please state which province you live in?
2. Please state your age.
 - a) Below 30 Years
 - b) 31-40 Years
 - c) 41-50 Years
 - d) 51-60 Years
 - e) Over 60 years
3. Please State your highest level of education.
 - a) School
 - b) High School
 - c) College
 - d) University Undergraduate
 - e) Postgraduate MA PhD
 - f) Others, please specify _____
4. If you have completed a university degree(s), please state the country from which you obtained your degree(s)?

Country	Undergraduate	MA	PhD
Afghanistan			
ASIA			
Europe			
America			
Other Please specify			

5. Please state your previous and current job positions and indicate the approximate Time you have occupied these positions.

Title	Previous job Position	Current Job Position	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Director						

Accountant						
Government						
Lecturer						
Religion						
Other Please specify						

Section B: Investment

1. Do you hold any kind of investment?

Yes

No

2. If the answer to question 1 is yes, then please state your level of investment?

	Less than 5000 \$	5000 – 10000	1001 - 15000	15001 and over
Company Shares				
Government Bond				
National Bank				
Islamic Bank				
Land				
Other, please specify				

3. For how long have you been involved in investment in shares?

a) Less than one year b) 1- 5 years

c) 6- 10 years d) More than 10 years

4. Do you pay zakat on any of your investments?

Yes

No

5. If the answer to question 4 is yes, do you believe it is fair for zakat to be compulsory deducted for companies?

Yes No

6. If the answer to question 5 is no, please indicate your level of agreement with the following statements in relation to why you consider it to be unfair?

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Zakat is relation between the person and Allah					
I don't trust the companies					
I don't trust Dep. Of zakat					
I Like to pay zakat by my self					

Section C: General Questions related to Zakat

1. Please state to the extent to which you agree or disagree with the following statements?

Zakat should be collected by	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Government (Department of Zakat)					
Islamic Bank					
National Bank					
Charitable organization (NGO's)					

2. In respect of who should distribute Zakat, please indicate your level of agreement with the following?

Zakat should be distributed by	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Government (Department of Zakat)					
Islamic Bank					

National Bank					
Charitable organization (NGO's)					

3. To what extent do you agree or disagree with each of the following statements?

Zakat should be paid to collection authority	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
25 % of the total amount of Zakat					
50 %					
75 %					
100%					

4. To what extent do you agree or disagree with each of the following statement?

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
The current method of Calculating Zakat is satisfactory					
The current method of Collecting Zakat is satisfactory					
The current method of Distributing Zakat is satisfactory					
The current method of Administration of Zakat is satisfactory					

5. Below are a list of statement referring to possible reasons for the low level of zakat Administration in Afghanistan, please indicate your level of agreement with each of the following statements?

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Lack of zakat regulation					

Lack of Religious practice					
Companies try to avoid zakat payments					
The need of zakat regulation has not yet been seen as a serious public concern in Afghanistan					
Zakat regulation requires the specialties and human resource which government do not yet possess					
The problem of enforcement					

6. Below are a list of statement referring to possible reasons for the low level of zakat Collection in Afghanistan, please indicate your level of agreement with each of the following statements?

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Lack of zakat regulation					
Lack of Religious practice					
Companies try to avoid zakat payments					
The need of zakat regulation has not yet been seen as a serious public concern in Afghanistan					
Zakat regulation requires the specialties and human resource which government do not yet possess					
The problem of enforcement					

7. Below are a list of statement referring to possible reasons for the low level of zakat Distribution in Afghanistan, please indicate your level of agreement with each of the following statements?

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree

Lack of zakat regulation					
Lack of Religious practice					
Companies try to avoid zakat payments					
The need of zakat regulation has not yet been seen as a serious public concern in Afghanistan					
Zakat regulation requires the specialties and human resource which government do not yet possess					
The problem of enforcement					

8. Below are a list of statement referring to possible reasons for the low level of zakat Calculation in Afghanistan, please indicate your level of agreement with each of the following statements?

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Lack of zakat regulation					
Lack of Religious practice					
Companies try to avoid zakat payments					
The need of zakat regulation has not yet been seen as a serious public concern in Afghanistan					
Zakat regulation requires the specialties and human resource which government do not yet possess					
The problem of enforcement					

9. Below are a list of statements relating to the potential benefit of the implementation of Zakat in Afghanistan, please indicate your level of agreement with each of the following statements?

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree

	Agree				disagree
Satisfy, religious duties					
Improve social justice					
Improve economic efficiency					
Improve the reputation of companies					
Increase local investment					
Promote charitable organization					
Improve the quality of corporate financial reports					

Section D: Zakat and financial report Section

1. Please state the extent to which you agree or disagree with each of the following statements?

Place of zakat statement annual should be in	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
a separate section					
Shariah advisory and supervisory report					
director's report					
chairman's report					
accounting policies					
notes to the financial statements					

2. To what extent do you agree or disagree with each of the following statements?

Place of zakat statement annual should be in	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Who should appoint shariah supervisory committee?					
Companies					

Government					
Salaries for shariah supervisory committee should be paid by:					
Companies					
Government					

3. Please state to what extent you agree or disagree with each of the following statements:

Place of zakat statement annual should be in	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
The Zakat measurement should be regulated in the Afghanistan					
The zakat disclosure should be, regulated in the country					
The zakat regulation in Saudi Arabia should be used as basis for the country					
The current zakat regulation in Afghanistan should be in use					
Companies to be requested to include section in their annual report addressing Zakat					
A distinction should be made between Zakat paid by individuals and Zakat paid by commercial firms					

4. Generally Accepted Accounting Principles permit flexibility in profit measurement and this impacts on the calculation of Zakat, which of the following items bring about the greatest variation in accounting measurement (please state the extent of your agreement)?

	Strongly	Agree	indifferent	disagree	Strongly

	Agree				disagree
Depreciation					
Bad debts					
Allowance & reserves					
Expenditures					
End of the services rewards					
Fees of the firm's Board of Directors					
Salaries, wages & similar items					
Loss from previous years					

5. In terms of who should regulate Zakat, please indicate the level of agreement with each of the following statements?

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Government					
Muslim scholars					
Academics					
Government with advice from Muslim scholars					
Government with advice from academics					
Government with advice from Muslim scholars and academics					

Section E: Zakat Harmonization Section

- Do you think harmonizing zakat regulation is possible in Afghanistan?
Yes No
- Please state to what extent you agree or disagree with the following statements.

	Strongly Agree	Agree	indifferent	disagree	Strongly disagree
Harmonization of zakat measurement is possible in Afghanistan					
Harmonization of zakat disclosure is possible in Afghanistan					
Harmonization of zakat measurement is important in the country					
Harmonization of zakat disclosure is important in Afghanistan					

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