

USING DIGITAL ECONOMY IN COLLECTION AND DISBURSEMENT OF ZAKAH PROCEEDS IN NIGERIA

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ABSTRACT: *Islam has laid down certain principles and limits for the economic activity of man so that the entire pattern of production, exchange and distribution of wealth shall be in conformity with the laid principles of Maqasidi-Shar'iah. Zakah is one of the medium through which wealth is distributed among the less privilege members of the society. Its' collection and disbursement have played major role in mitigating the economic hardship among the beneficiaries. In the past, collection and disbursement of Zakat were done through traditional method of face to face. Nowadays the digital technology provided very potential windows to enhance the collection and disbursement of Zakah. Hence, the dire need to harness the digital technology in reaching out to beneficiaries of zakah. This paper therefore examines the potentiality of using the principles of digital economy in collection and disbursement of Zakah in Nigeria. The data collection involves the use of primary and secondary sources. The findings show that digital economy proves effective means in the collection and disbursement of Zakah. The paper recommends the adoption of digital technology by the various Zakah collectors in the collection and disbursement of Zakah proceeds. The paper concludes that adoption of digital economy will go a long way in addressing the problem of unequal distribution among the beneficiaries of zakah in Nigeria and elsewhere in the globe.*

Keywords: *Islam, Digitalisation, Economy, Zakah, Collection, Distribution*



A. Introduction

Islam's concern is that whatever the particular form of economic activity in operation, its underlying principles should always be the same. In Nigeria, since governments do not have the resources or capacity to address all of the economic and social gaps that exist, it is crucial for both government and private sectors to be very cautious in the way and manner resources are distributed for the betterment of their citizens, otherwise the gap between the rich and the poor would continue to be widening day in day out which is very worrisome.

Thus, to ensure a just and equitable distribution of wealth in society, Islam has prescribed several institutions and enjoin Muslim to strictly comply with the instruments so as to easily create wealth and at the same time mitigate the abject poverty seen within our societies and communities, the paper examines the institution of *Zakah* as an instrument of mutual support for the social communities.

In contemporary period, consumers are influenced by things they see on social media and other popular websites. Digital economy has given rise to many new trends and start-up ideas. It is the worldwide network of economic activities, commercial transactions and professional interactions that are enabled by information and communications technologies (ICT). Digital economy highlights the opportunity and the need for organizations and individuals to use technologies to execute those tasks better, faster and often differently than before.

Zakat means giving part of the property that has been determined by Allah SWT for people who are entitled to receive and need zakat.¹ The definition of zakat based on the *mazhab* Imam Maliki the expenditure of part of a special property with full ownership within a period of one year which has reached the limit of the amount that must be issued for zakat (*nishab*) for entitled recipients (*mustahik*).

The definition of zakat in the *mazhab* Imam Syafi'i the expenditure of property in a special way for the group of people who are entitled to receive it. The meaning of the special method is the way of taking property, based on its nature, class, and intention on a specified matter. On the Islamic basis for zakat as stated by Allah in Surah At-Taubah verse 103:

take Sadaqah (alms) from their wealth In order to purify them and sanctify them with it, and invoke Allâh for them. Verily! Your

¹ Y. Al-Qaradhawi, *Hukum Zakat*, Jakarta: Lintera Antar Nusa, 2000.

invocations are a source of security for them, and Allâh is All-Hearer, All-Knower.²

The verse explains that the expenditure of zakat from a muzakki (person who pays zakat) can clean and purify his heart, as well as peace of mind. This means that the person who pays zakat has a clean heart and soul. Referring to the verse, zakat can be interpreted as clean, growing, blessing.³

B. Literature Review

Digitalization of Zakat is a crowdfunding platform that is used to facilitate donations to zakat institutions in order to provide more efficient and transparent information.⁴ It is perceived easy to use and has a positive relationship and direct effect with perceived usefulness of integrated Zakat-Crowdfunding model of digital zakat collection.⁵

Omar et al, examines the effect of zakat on poverty alleviation through both theoretical and practical aspects. This study found that through zakat institutions, zakat funds can have a role in poverty alleviation efforts. In addition, the researcher provides a conclusion that zakat institutions can cooperate with other institutions such as microfinance to achieve its effectiveness.⁶ On his part Abdelbaki found that zakat eliminates poverty and inequality in Islamic countries, but this must also be supported by regulations and laws for collecting zakat from various sectors.⁷ Kasri in his research also proves that the zakat program in economic empowerment has succeeded in increasing the income and welfare of *mustahik*.⁸

The distribution of zakat can be in the form of a program that aims to improve the welfare of mustahik. The program is also accompanied by the distribution of life support, health, housing, and others.⁹ Johari who studied the topic "Zakat Distribution and Program for Sustaining Muallaf

² Q. 9:103.

³ Y. Al-Qaradhawi, *Hukum Zakat*, Jakarta: Lintera Antar Nusa, 2000.

⁴ P. Utami, *et al*, The Effect Digitalization Zakat Payment against Potential of Zakat Acceptance in National Amil Zakat Agency. *Iqtishadia*, 13(2), 2020, 216.

⁵ M.A.B. Thaker, A proposed integrated Zakat-Crowdfunding Model (IZCM) for effective collection and distribution of Zakat fund in Malaysia. *Journal website: journal. zakatkedah.com.my*, 1(2), 2019.

⁶ F.A.A. Nadzri, Zakat and Poverty Alleviation: Roles of Zakat Institutions in Malaysia, *International Journal of Arts and Commerce*, 1(7), 2012, 61-72.

⁷ H.H. Abdelbaki, The Impact of Zakat on Poverty and Income Inequality in Bahrain, *Rev. Integr. Bus. Econ. Res*, 2(1), 2013.

⁸ R.A. Kasri, Effectiveness of Zakah Targeting in Alleviating Poverty in Indonesia, *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, 8(2), 2016, 169-186.

⁹ P. Ibrahim, Pembangunan Ekonomi Melalui Agihan Zakat: Tinjauan Empirik. *Jurnal Syariah*, 16(2), 2008, 1-23.

Belief and Thought" with a qualitative approach analysis found that the perception of people who claim that converts to converts to Islam are ignored is not true.¹⁰

Likewise, there are literature review on digital zakat which rely on qualitative research methods. A study by Hudaefi and Beik examines the use of digital means in the collection and distribution of zakat to enhance the economy.¹¹ The results found that the inclusiveness of digital content is practically significant in campaigning zakat as a religious obligation that contributes to social and financial benefits. An exploratory study by Manara et al, also believed that the digital zakat system could serve as an alternative method to overcoming the potential failure of zakat in Muslim Countries.¹² Using a qualitative approach, it proposed that a crowdfunding-zakat model could enlarge the potency of zakat collection and reduce poverty problems in the country. This conclusion is agreed by Hudaefi *et al*, who also believed that zakat digitalization is an important effort to optimize zakat collection. Most of the studies in digital zakat currently focus on the use of digital zakat and the strategy to increase and boost the economy.¹³

C. Methodology

This research adopted and employed literature study approach in order to provide the necessary focus for the research. The literature study method is principally the same as research in general, but the research data acquired through the literature study method are secondary data. Finding and gathering of references that are relevant to the topic of this research is first of the researchers three processes take in preparing this paper. Secondly, in order to fully explain the intersection of the paper, a number of scientific publications that have been gathered are then analysed and elaborated. Thirdly, as the final phase of, the researchers draw a conclusion that precisely addresses title of the paper; the use of digital economy in collection and distribution of *zakah* proceeds in Nigeria.

¹⁰ F. Johari, Zakat Distribution and Programme for Sustaining Muallaf Belief and Thought. *Sains Humanika*, 66(1), 2014.

¹¹ F.A. Hudaefi, & I.S. Beik, Digital Zakāh Campaign in Time of Covid-19 Pandemic in Indonesia: A Netnographic Study. *Journal of Islamic Marketing*, 2021.

¹² A.S. Manara *et al*, Strategy Model for Increasing the Potential of Zakat through the Crowdfunding-Zakat System to Overcome Poverty in Indonesia. *International Journal of Zakat*, Special Issue on Zakat Conference, 2018, 17–31.

¹³ F.A. Hudaefi *et al*, Developing a Framework of Risk Management in Digital Zakat Collection: A Preliminary Study, Puskas Working Paper, 2019.

D. Result and Discussion

Zakah an Instrument for the Promotion of Mutual Assistance

There are five fundamental principles upon which Islam lies. These principles are obligatory on Muslims in line with the conditions attached to each. Among these is the institution of *Zakah* which is a form of social welfare. *Zakah* literally means "that which purifies". It is considered a way to purify one's income and wealth from sometimes worldly, impure ways of acquisition. "Just as ablutions purify the body and *salah* purifies the soul (in Islam), so *Zakah* purifies possessions and makes them pleasing to Allah." Is a form of alms-giving treated in Islam as a religious obligation or tax which is collected from rich person in society and retune to the poor person in the same society.

Hassan¹⁴ notes that *Zakah* is one of the pillars of Islam. It is a religious duty necessary on those who fulfill the regulations of Islam. It is a mandatory charitable contribution often considered to be a tax rich people. The payment and distribution of *Zakah* have played major role in the history of Islam. One of the major roles played by *Zakah* is mitigating hardship and wealth creation in a society most especially at the present period of economic downturn caused by many factors.

Obligation of *Zakah*

There are numerous verses of the Glorious Qur'an emphasizing on the institution of *Zakah*. The following illustrations explain.

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَارْكَعُوا مَعَ الرَّاكِعِينَ

And be steadfast in prayer; practice regular charity; and bow down your heads with those who bow down [in worship].¹⁵

In another verse, Allah (SWT) said:

وَفِي أَمْوَالِهِمْ حَقٌّ لِّلسَّائِلِ وَالْمَحْرُومِ

And in their wealth and possessions [was remembered] the right of the [needy,] him who asked, and him who [for some reason] was prevented [from asking].¹⁶

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَمَا تُقَدِّمُوا لِأَنفُسِكُمْ مِنْ خَيْرٍ يَجِدُوهُ عِنْدَ اللَّهِ إِنَّ اللَّهَ بِمَا تَعْمَلُونَ بَصِيرٌ

¹⁴ Hassan, History of Islam, 2005

¹⁵ Q, 2:43

¹⁶ Q, 2:110

And be steadfast in prayer and regular in charity: And whatever good ye send forth for your souls before you, ye shall find it with Allah: for Allah sees Well all that ye do

To substantiate the above Qur’anic quotations, the Prophet (SAW) says:

Islam is based on (the following) five (principles): To testify that none has the right to be worshipped but Allah and that Muhammad is the Messenger of Allah. *Iqamat-as-Salat* [to perform the (compulsory congregational) Salat (prayers)]." To pay Zakat to perform Hajj. (i.e. pilgrimage to Makkah). To observe Saum [fasts during the month of Ramadan].¹⁷

Zakah is based on income and the value of all of one's possessions. It is customarily 2.5% (or 1/40) of a Muslim's total savings and wealth above a minimum amount known as *nisab*. The obligation of *al-zakat* is mentioned thirty-six times in the Qur’an out of which twenty-one attached to the obligation of *Salat* (the ritual worship); eight categories of the recipients of *Zakah* are clearly defined in the following Qur’an verse:

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَارِمِينَ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ

Charities are for the poor, and the destitute, and those who administer them, and for reconciling hearts, and for freeing slaves, and for those in debt, and in the path of Allah, and for the traveler in need-an obligation from Allah. Allah is All-Knowing, Most Wise.¹⁸

The following can be deduced from the above Qur’an verse which clearly defined the recipients of *Zakah* in Islam:

1. Eliminate poverty and bridge the gap between the rich and the poor
2. Ensure fulfillment of the basic needs of every citizen, regardless of their faith or gender
3. Help those who are at risk of falling into error.
4. Freeing of slaves and those struggling under loans.

¹⁷ Bukhari, (Vol 1, No 8, p58)

¹⁸ Q. 9:60

5. Helping anyone affected by calamity, pandemic or struck by tragedy. If same idea and techniques is applied in Nigerian situation, it shall surely go a long way in providing solutions to the present economic recession caused by pandemic, economic inflation, fuel subsidy removal etc.

Significance of *Zakah* in Islam

Abdullahi¹⁹ establishes a relationship between acts of righteousness and Islamic rituals as evidently mentioned in the following Qur'an verse.

Righteousness does not consist of turning your faces towards the East and the West. But righteous is he who believes in Allah, and the Last Day, and the angels, and the Scripture, and the prophets. Who gives money, though dear, to near relatives, and orphans, and the needy, and the homeless, and the beggars, and for the freeing of slaves; those who perform the prayers, and pay the obligatory charity, and fulfill their promise when they promise, and patiently persevere in the face of persecution, hardship, and in the time of conflict. These are the sincere; these are the pious.²⁰

The above Qur'an verse indicates that *zakah* and *infaq* (spending on the needy) are two separate and distinct obligations on Muslims. If *zakah* collections are enough to meet all the needs of the needy, as was the case in the reign of Umar ibn Abd al-Aziz, then the Muslims are absolved of the obligation of *infaq*.

Yusuf²¹ opined that after the payment of the annual *Zakah* (poor due), it is not necessary to spend more. But to be accurate, if somebody pays *Zakah* and yet retains enough money with him, and there are some needy people around him, it would be required of him to spend on them. Imam At-Tirmidhi quoted a tradition in which the Messenger of Allah (SAW) said: "*Indeed there is a right (for poor) in the wealth addition to Zakah*". Therefore, *Zakah* could serve as a means of stabilizing the economy of a nation at any given time.

The general public deserved specific social welfare right which is to be fed by those who are well-to do in the society. He supported his position the following verses affirmed that:

O you who believe! Give of the good things you have earned, and from what We have produced for you from the earth. And do not pick the inferior things to give away, when you yourselves would not accept it

¹⁹ Y.A. Abdullahi, (trans) *The Holy Qur'an with Arabic Text Translation and Commentary*, 2004.

²⁰ Q, 2:177.

²¹ H.S. Yusuf, *Commentary on Riyad-du-Saliheen* VI. 1, 1999

except with eyes closed. And know that Allah is Sufficient and Praiseworthy. Satan promises you poverty, and urges you to immorality; but Allah promises you forgiveness from Himself and grace Allah is Embracing and Knowing.²²

The institution of *zakah* is crucial to the attainment of the socio-economic advancement of a people if efficiently collected and re-distributed. Ahmed ²³ (2004) stresses that *zakah* and *waqaf* are institutions that are vital in poverty reduction. He however recommends that there should be income support programs for the physically challenged people in order to boost productivity in the society.

Islamic community is conceived as a society where people relates with one another by being supportive to other men, responsible being to the environment, and as wellbeing submissive to the dictates of Allah.

Zakah facilitates productivity of the poor, promotes productive investment, and gives room for financing various development projects such as education, health care, safe water and other social welfare activities, designed utilities for the benefit of the poor. They further proclaim that, *Zakah* proceeds have a multiplier effect on the national economy if invested in productive venture. Ahmad explains that *Zakah* promotes fundamental unity and brotherhood of mankind while Chapra opines that *Zakah* promotes a balance between individual and social interest and helps to actualize one of the *maqasid al-Shari'ah* (the goals of the *Shari'ah*).

The article “An Islamic perspective on human development” also affirms that *Zakah* does not only enhances the revenue drive of the state for its welfare activities in sectors like education, health and social services, but also enables it to the carrying out of its obligations onto the less privilege such as the poor and the needy. It also promotes decentralization of wealth in the hands of a few. It checks growing income disparities, it fuels productive investment as a way to avoid an inevitable diminishing of one’s wealth if left as capital and it bridges the gap between the rich and the poor.

The consequences behind refusal to give *Zakah* are expressed in the following Qur’anic verses and prophetic traditions:

And there are those who bury gold and silver and spend it not in the way of Allah: announce unto them a most grievous penalty. On the Day when heat will be produced out of that [wealth] in the

²² 2:267-268

²³ A.A.I. Ahmad, *Al-Mustadraq Aala Sahihaini*, Darul Nashri: 1999

fire of Hell, and with it will be branded their foreheads, their flanks, and their backs, their flanks, and their backs. - "This is the [treasure] which ye buried for yourselves: taste ye, then, the [treasures] ye buried!"²⁴

Similarly, the Prophet (SAW) was reported to have said:

Whoever is made wealthy by Allah and does not pay the Zakah of his wealth, then on the Day of Resurrection his wealth will be made like a bald-headed poisonous male snake with two black spots over the eyes (or two poisonous glands in its mouth) ('). The snake will encircle his neck and bite his cheeks and say, 'I am your wealth, I am your treasure.'" Then the Prophet recited the Qur'anic Verses: ...And let not those who covetously withhold of the gifts which Allah Hath given them of His Grace, think that it is good for them: Nay, it will be the worse for them: soon shall the things which they covetously withheld be tied to their necks Like a twisted collar, on the Day of Judgment. To Allah belongs the heritage of the heavens and the earth; and Allah is well-acquainted with all that ye do.²⁵

In another report the Prophet says:

(On the Day of Resurrection) camels will come to their owners in the best state of health they have ever had (in the world), and if he had not paid their Zakat (in the world) then they would tread him with their feet; and similarly, sheep will come to their owners in the best state of health they have ever had in the world, and if he had not paid their Zakat, then they would tread him with their hooves and would butt him with their horns." The Prophet added, "One of their rights is that they should be milked while water is kept in front of them." The Prophet added, "I do not want anyone of you to come to me on the Day of Resurrection, carrying over his neck a sheep that will be bleating. Such a person will (then) say, 'O Muhammad! (please intercede for me,)' I will say to him, 'I can't help you, for I conveyed Allah's Message to you.' Similarly, I do not want anyone of you to come to me carrying over his neck a camel that will be grunting. Such a person (then) will say, 'O Muhammad! (please intercede for me).' I will say to him, 'I can't help you for I conveyed Allah's Message to you.'²⁶

Based on the above discussions indicating the concept, obligation, recipients of *zakah* and its significance in social support to mitigate extreme poverty within our communities and

²⁴ Q, 9:34-35

²⁵ Bukhari (Vol 2, No. 1401. p.281)

²⁶ Bukhari, No. 1402. 1997, pp.281-282

create wealth, the paper deemed it fit at this juncture, to study the use of Digital economy as a tool for collection and distribution of *zakah*.

***Zakah* Collection and Disbursement in Historical perspective**

During the time of the Prophet Muhammad (SAW), the obligation to pay zakat from those who were wealthy was directly managed by the Prophet (SAW), so that the practice of zakat can run well in accordance with the demands of the *Shari'ah*, so that the benefits of zakat can be felt directly by the *Mustahik* right away. Such practices however, underwent some changes after the demise of the Prophet Muhammad (SAW).

The demise of the Prophet (SAW) was considered by some ignorant people as the end of the zakat collection and disbursement, as many refused to pay zakat. Caliph Abu Bakr al-Siddiq had to stand against this people and they were forced to pay zakat.

The caliphate of Umar bn *Khattab* saw wonderful development. The collection and disbursement of *Zakah* developed in such a way that caliph Umar moved from house to house distributing the proceeds of zakah. He did not hesitate to carry a sack of wheat to give to his poor people. Umar bn Khattab gave many fatwas related to zakah, and made lots of innovations about collection and disbursement of *Zakah*. Umar's *Ijtihad* deserves to be used as a basis, analyzed, and used as material for comparison by the successors.

He formed a *Sa'i* Committee whom was saddled with the responsibilities of collecting and disbursement of *Zakah*. The *sa'i* was responsible for identification, collection and disbursement of *Zakah*. This legacy and practices were sustained for some time in the history of Islam.

Unfortunately, the practice of collection and disbursement of *zakah* were abolished by the later generation living it to the mercy of the rich people to collect and disburse.

The absence of official committee responsible for the collection and disbursement of *Zakah* proceed within Muslim communities seriously affect the smooth and the process of collecting and disbursement of *Zakah* in almost all Muslim societies.

In Nigeria, Muslims calculate the percentage of their resources and select the beneficiaries by themselves, sometimes they include their parents and wives among the beneficiaries which is totally wrong, in some areas, Muslims organizations use to set up committee of *Zakah* within the adherents of such organizations but at long last it become a mirage due to so many factors ranging from lack of trust on the committee members, failure of the well to do from among the followers

of the organizations to actively support the *zakah* committee, bias and selfish interest while selecting the beneficiaries from the committee of *zakah*, failure to assess the affluent and the beneficiaries in remote areas do to insecurity challenges etc. to overcome the above mentioned challenges and others, a strong *zakah* committee has to be set up under a strong Muslim councils in every state including the state that is govern by non-Muslim governor and to use Digital technology in the process of collecting and disbursement of *Zakah* proceed.

The need for Digital technology in the collection and disbursement of *Zakah* proceed in Nigeria

Many factors call for the need to use Digital technology for the smooth collection and disbursement of *Zakah* proceeds in Nigeria, among which the following:

1. **Insecurity:** Insecurity simply means: state of not being safe or protected. In a broader or wider perspective, insecurity presupposes a state of general breakdown of law and order, or a situation where the citizens of a country are exposed to an uncontrollable danger-everyone lives in fear of whatever might happen the next moment. Insecurity, therefore, suggests a situation where a state of anarchy is unleashed on a general populace and the human life becomes ‘nasty’. The issue of insecurity in Nigeria has become something of grave concern to all well-meaning citizens most of who continue to wonder how the country arrived at such a dastardly situation where no one is safe; and worse still, rather than abate, the problem is escalating and now totally out of control perspective, Now a number of other non-state armed groups are spreading the violence all over Nigeria. The south-eastern region of the country has been engulfed by separatist violence and criminal opportunism crippling businesses in major trading centres like Onitsha, Anambra State. Take the activities of the “unknown gunmen” “unknown gunmen”, criminals who often disguise as Biafra separatists to perpetrate gang violence, especially kidnapping for ransom and armed robbery.

Meanwhile, the north-western part of Nigeria has been enmeshed in crime and terror: kidnappings, mass abductions, enforced disappearances, cattle rustling and localized raids. Communities in the region have been displaced and some are essentially held captive in their own homes by bandits and Islamist insurgents.

The north-central region, meanwhile, is still grappling with the farmer-herder crisis, which became rife from around 1999. The crisis is often complicated by a mix of herder militancy and jihadi-style banditry, especially in parts of Niger State.

The south-west, including places like Lagos, has witnessed an upsurge of gang, cult and ritual violence. This is in addition to the piracy and oil theft prevailing in the Niger Delta area.

The victims of these crises in different parts of Nigeria need to be assisted through the proceeds of *zakah*. Using digital technology in the process of collecting and disbursement of *Zakah* in the present situation of insecurity could surely help to secure both the committee of *Zakah* and the process all together.

- 2. Lack of trusted and reliable *Zakah* Committee:** This is yet another challenge facing the process of collecting and disbursement of *Zakah* in Nigeria. *Al-amanah* (trustworthiness) and *al-mas'uliyah* (responsibility) are obligatory for every Muslim. Both of these noble qualities show a character that will determine good morals in a person in daily affairs. Islam demands its *Ummah* to be characterized by the nature of trust that is mentioned in the Qur'anic verses and also the hadith of the Prophet Muhammad (SAW).²⁷ In addition, to determine the future of society, it is also a determinant of the sustainability of management in an organization. Administrative affairs of a business must be handled with care so as not to be contaminated with the treacherous elements of the members of the organization. This is because institutional management activities are an important component that is directly related to elements of Islamic law. Often we see so many cases of breaking the trust into the headlines in the press.²⁸

The corruption phenomenon in politics and economy is one of the consequences of lack of integrity (include *al-amanah* and *al-mas'uliyah*). There are countries that are seen to be in close proximity to bribery in their jobs until such practices become common in their lives. Bribery threats exist in various sectors and areas such as social, economic, political and administrative affairs of a country. It has become a problem not only for a country but

²⁷ I.A. Nurzatil, "Concept of Trust by the Hadith Perspective", International Conference on Islamiyyat Studies (IRSYAD 2017), Kolej Universiti Antarabangsa Selangor, 2017

²⁸ M.Z. Andi, *The concept of trust in Islamic management from maqashid shariah corner (Property Care)*. Prosiding Seminar Pengurusan Islam, 2015.

it is a problem internationally²⁹. It is based on the above discussion, the need to make use of Digital technology in the process of collection and disbursement of *Zakah* proceed in Nigeria become necessary so as to create sanity in the system and allow integrity play its role. Digital technology will enable easy collection and disbursement of the proceeds of *zakah* through the account of the beneficiaries. Similarly, the collection will be accomplished through a central account created by the council.

Significance of Using Digital Economy in Contemporary

The need to employ digital technology in the collection and distribution of *Zakah* in Nigeria should not be overemphasis. The following are some of the significance of digital economy today in people's life:

1. **Promotes Use of the Internet** It is a well-known fact that, most of the daily work can today be done on the internet. The massive growth of technology and the internet that began in the USA is now a worldwide network. So there is a dramatic rise in the investment on all things related – hardware, technological research, software, services, digital communication etc. And so this economy has ensured that the internet is here to stay and so are web-based businesses.
2. **Rise in E-Commerce:** The businesses that adapted the internet and embraced online business in the last decade have flourished. The digital economy has pushed the e-commerce sector into overdrive. Not just direct selling but buying, distribution, marketing, creating, selling has all become easier due to the digital economy.
3. **Digital Goods and Services:** Gone are the days of Movie DVD and CD's or records. Now, these goods are available to people digitally. There is no need for any tangible products anymore. Same is true for services like banking, insurance etc. There is no need to visit your bank if you can do every transaction online. So certain goods and services have been completely digitized in this digital economy.

²⁹ (Mustafar, 2005)

4. **Transparency:** Most transactions and their payment in the digital economy happen online. Cash transactions are becoming rare. This helps reduce the black money and corruption in the market and make the economy more transparent. In fact, during the demonetization, the government made a push for online transactions to promote the web economy.

The Validity of Using Technology in Islam

Islam as a unique religion welcomes and accepts new invention, in as much as it does not deviate from the actual revealed laws and regulations which are known as *Bid'atu*. (any religious act innovated after the death of the Prophet (SAW))³⁰

In the 6th year after *Hijrah*, Arabs joined their forces to off-rooted the Prophet (SAW), Islam and Muslims at large in a battle known as Battle of the ditch, Prophet (SAW) resorted to digging trenches in order to defend the capital of Islam against the united aggression of the tribes and Jews of Arabia, a suggestions made by Salmanul Parisee leaving the traditional way of warfare and self-defense³¹

According to the Scholars of Islamic Jurisprudence, Allah created everything and made them lawful for human consumption except that which is being declared prohibited³². This can also be seen in Q. 2:29 where Allah the Exalted States:

هُوَ الَّذِي خَلَقَ لَكُمْ مَّا فِي الْأَرْضِ جَمِيعاً

It is He Who Has created all things for you that are on the earth.

Information Technology (IT) with its uniqueness nature has been designed and programmed as means of securing knowledge and information; and can be as well employed for the publicity constructive thoughts, Islamic ideology, Islamic teachings and *Da'wah* activities especially in Nigeria.

Shari'ah (Islamic law) encompasses the entire gamut of human life to the end. Allah (SWT) says:

مَا فَرَطْنَا فِي الْكِتَابِ مِنْ شَيْءٍ ثُمَّ إِلَىٰ رَبِّهِمْ يُحْشَرُونَ

³⁰ D.A. Arifah, Kasus cybercrime di indonesia. Jurnal Bisnis Dan Ekonomi, Vol. 18, No. 2, September 2011, pp. 185 - 195.

³¹ (Hassan, History of Islam 2001).

³² A. Khan, *Using Internet and Other Modern Means for Religious Purposes*, 2009, p. 13

We have neglected nothing in the Book.³³

Information Technology (IT) serves as Allah's bounty on earth to mankind (Muslims to be specific), and as well as wisdom to them, a sound Prophetic tradition was reported from the messenger of Allah saying:

Wisdom is a lost property of a believer wherever he finds it he grasps it³⁴

The above discussions augment the validity of using digital technology as far as Islam is concerned for positive purposes. Using Digital economy in the collection and disbursement of Zakah proceed is surely the best way of sanitizing the sector for poverty reduction and wealth creation among populace in Nigeria.

Using Digital Economy in Collection and Disbursement of Zakah Proceed

The development in technology has eased people's economic activities, with digitizing the financial sector, many financial institutions have migrated from traditional to digital system in their activities. By their nature the technological facilities are neutral and can be used for different purposes. Therefore, applications used by these financial institutions can also be used in zakah collection and disbursement. As the concept applied in the running of the financial institutions is similar to zakah management by zakah institutions. In this regard, the zakat institutions can safely and conveniently use the same technological software in collection and disbursement of Zakah.

Rachman & Salam³⁵. Mentions research related to the application of financial technologies has been carried out in line with the development of digital technology in strengthening zakah management through a financial technology system. Other researches show major role in improving the quality and efficiency of financial services. However, the management of zakah through e-technology required some innovations which include aspects of legal compliance, *shari'ah* compliance, accountability, and security structures. This can be realized through institutional integrity, technology development systems, standardization, certification and education.

³³ Q.6: 38

³⁴ J.A.A. Ahmad, Fathul Bari (Commentary of the authentic book of Imam Bukhari), Dar Ma'arifah, Beirut, Lebanon. 2009

³⁵ M.A. Rachman, & A.N. Salam, The Reinforcement of Zakat Management through Financial Technology Systems. *International Journal of Zakat*. 2018

Other studies relevant to the application of digital-based financial technology were carried out by Muhammad Lawal Maidoki³⁶ with the title *Repositioning SOZECOM, Nigeria to Navigate the Digital Economy*. The use of digital money in the *zakah* administration SOZECOM is currently restructuring *zakah*, *waqf* and general administrative processes. Part of the restructuring is the need to utilize a wide network of paid and voluntary personnel, large amounts of data and some collaborative efforts with other institutions in order to explore the potential of digital finance in the administration of *zakah* and *waqf*. The main obstacle to the realization of this goal is limited digital capabilities. As a first necessity, the need to develop SOZECOM institutional capacity through strengthening its digital capabilities has been identified. This paper outlines a framework for building the capabilities needed to successfully navigate the digital economy and align its operations towards this realization. This application can clarify access rights between users to make it easier for the community to assist with more organized and accurate reporting.³⁷

Additionally, there are still ongoing efforts by different *zakah* collectors to harness the e-technology in the management of *Zakah* proceeds. Several previous studies have tried to create software application and web-based zakat interface system to facilitate the collection and distribution of *zakah*.

Furthermore, Sehiling reported a study; an even more significant breakthrough was made by creating a smartphone-based application to integrate zakat management institutions in Indonesia in one integrated application. This innovation is very helpful, especially for the community, because all *zakah* services in Indonesia can be done in one application and can be done via their respective smartphones. Seeing the high number of smartphone users in Indonesia, this application effectively reaches more people to contribute to implementing *zakah*.³⁸

Since Nigeria is blessed with many users of smartphones, the same services can conveniently be harness in the collection and disbursement of *Zakah* proceeds.

The above discussion shows the benefits of using e-technology by zakat institution services to ease the collection and distribution of *Zakah* in Nigeria and elsewhere in the globe, simply because digital management applications and systems increase the accountability of zakat

³⁶ M.L. Maidoki, *Repositioning SOZECOM, Nigeria for Navigating the Digital Economy*. *International Journal of Zakat*, 3(3), 101–107. 2018

³⁷ Ibid.

³⁸ S. Sehiling, *et al*, *Pengembangan Aplikasi Sizisku 1.0 untuk Meningkatkan Optimalisasi Pengelolaan Lembaga Zakat Nasional*. *Ziswaf: Jurnal Zakat Dan Wakaf*, 6(2), 2019, 166–182.

management institutions due to more structured management. A more accurate reporting and distribution system will also increase the effectiveness of the management and distribution of zakat to the broader community.

However, designing the online-based *zakah* system must also pay attention to *Maqasidi Shari'ah* such as property ownership and determining the calculation of the amount according to *fiqh* science.

More researches show the effectiveness and viability digital *Zakah* management in collection and distribution during the Covid-19 pandemic. This is due to the community's increasing online activity amid the pandemic, which has encouraged various sectors to adapt to the digital system.

In spite of the technological breakthrough in technology, there are however some threats accompanying the use of e-technology in the collection and disbursement of *Zakah*,³⁹, mention

that the use of technology and information facilitates zakat institutions in managing zakat effectively, but on the other hand the technology has a potentially serious threat where the ease of accessing information online related to zakat becomes a way for users who are not responsible for cybercrime or crime through the internet network. The more sophisticated security technology along with the increasingly sophisticated technology of theft in the digital realm. In addition, with the development of the flow of information and technology today has become a double-edged sword, because in addition to providing a good / positive contribution to society, on the other hand it has negative impacts.

Recommendations:

1. Muslim council under a strong and active chairman should Review and harmonize all frameworks, standards and guidelines in order to create a dynamic environment for the development of a digital technology through collection and disbursement of *Zakah* proceed.
2. Muslim Council Should Enact new requisite on how to collect and disburse *Zakah* items from *Muzakky* (those legible to pay *Zakah*) to the beneficiaries Digitally

³⁹ Arifah, D. A. Kasus cybercrime di Indonesia. Jurnal Bisnis Dan Ekonomi, Vol. 18, No. 2, September 2011, pp. 185 - 195.

3. An enabling environment should be created to sensitize the general public on the current development in the field of collecting and distribution of *Zakah* through the Digital technology for the smooth running of the system effectively.
4. A special training should be sketched to train the *Zakah* committee

E. Conclusion

Zakah is a form of alms-giving treated in Islam as a religious obligation or tax which is collected from rich person in society and retune to the poor person in the same society, it has a multiplier effect on the national economy, it promotes fundamental unity and brotherhood of mankind that help to balance between individual and social interest and helps to actualize one of the *maqasid al-Shari'ah* (the goals of the shari'ah).

Digital economy can be used according to scholars of Islamic jurisprudence to accelerate the digitalization of collection and disbursement of *Zakah* processes and improve service delivery, transparency and accountability; by developing digital education and support digital literacy of Muslims in both urban and rural areas on the importance of using digital technology in an attempt to migrate from the traditional method of face to face collection and disbursement of *zakah* proceeds so as to improve trust, confidence and security around digital processes and activities.

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