

Exploring Zakat Distribution Practices for CSR Initiatives: Perspectives of Corporate Zakat Payers in Malaysia

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To Link this Article: <http://dx.doi.org/10.6007/IJARSS/v12-i11/15094> DOI:10.6007/IJARSS/ v12-i11/15094

Published Date: 21 November 2022

Abstract

Companies have become key players in addressing social and environmental challenges. Companies contribute significant financial and non-financial resources to support social initiatives through their Corporate Social Responsibility (CSR). Consequently, companies allocated zakat for their CSR activities and sustainability agenda through wakalah corporate zakat refund. Using this wakalah mechanism, companies as muzakki (zakat payers) receive an assignation of authority to distribute zakat to eligible beneficiaries based on the specific condition after paying a certain amount of zakat to zakat institutions. However, there is limited attention on the corporate zakat distribution practices among corporate zakat payers in Malaysia. Most studies on corporate zakat and CSR focus on Islamic financial institutions, while studies on zakat distribution mainly investigate the practice of zakat institutions. Thus, this study aims to explore and understand the practice of corporate zakat distribution for CSR initiatives among corporate zakat payers in Malaysia. This study applied a qualitative approach where data obtained from interviews with five corporate zakat payers were examined thoroughly. This study identified three main themes in corporate zakat distributions; top management commitment, zakat framework, and stakeholder engagement. This study is expected to contribute to understanding corporate zakat practices in Malaysia and provide insights to encourage companies to manage their zakat fund systematically to support CSR initiatives.

Keywords: Corporate Zakat, Corporate Social Responsibility, Wakalah, CSR Initiatives, Zakat Distribution

Introduction

Ending poverty and inequality is one of the most significant challenges in the current decade due to limited financing. Zakat can be a supporting source of the fund because the main aim of zakat is to reduce poverty and social injustice. Islamic organizations and companies are now focusing on their CSR activities and diversifying their CSR activities through strategic zakat distribution for their CSR initiatives. In line with this, the Central Bank of Malaysia issued a strategy paper titled Value Based Intermediation (VBI): Strengthening the Roles and Impact of Islamic Finance in 2017. The new strategic direction promoted in this strategy paper aims to deliver the intended outcomes of Shari'ah through practices, conduct, and offerings that generate a positive and sustainable impact on the economy and community, consistent with the shareholders' sustainable returns and long-term interests. Consequently, companies are encouraged not solely to focus on profit maximization but to participate in economic empowerment and community upliftment programs to serve the needy.

Companies nowadays are driven by public demand to increase their transparency and accountability concerning social responsibility due to changing societal norms and expectations. Indeed, any institution that claims to be Islamic should be socially responsible, as mentioned in the Qur'an and Sunnah of the Prophet Muhammad (P.B.U.H). From an Islamic perspective, business entities must focus their efforts on the less fortunate in society because Islam emphasizes social justice and thus needs wealth to be equally distributed. Zakat is one of the concepts described by the Qur'an that ensures the good circulation of wealth in society.

Zakat is the third of the five major pillars of Islam, and it is a divine act imposed by Allah on the wealthy Muslim, which is to be carried out through their legitimate earnings to the less. Zakat ensures the circulation of wealth in society and effective tools for poverty alleviation. Zakat can also strengthen the bond between the rich and the poor, providing security and bringing happiness to the community (ummah). Zakat is not restricted to only individual responsibility. Zakat can be extended as the responsibility or an obligation of all corporations or organizations towards society, as these entities are generating profits and they can very well support the cause of enhancing societal benefits (Javaid & Al-Malkawi, 2018).

Nevertheless, zakat has become part of CSR. Zakat could be used to increase the flow of corporate resources into the social sector through the use of the wakalah zakat funds for CSR initiatives. The wakalah is the policy of zakat refund by State Religious Councils (SIRCs) or zakat institutions to the entity that pays zakat to the authorized zakat institutions to be distributed to the eligible asnaf (beneficiaries) (Paizin & Sarif, 2019). Central Bank of Malaysia (BNM) defines wakalah as a contract in which a party (muwakkil) authorizes another party as his agent (wakil) to perform a particular task in matters that may be delegated voluntarily or with the imposition of a fee. The wakalah contract is one of the initiatives that can improve the zakat distribution (Ahmad & Wahid, 2017). Previous studies revealed that Islamic organisations' CSR activities, including Islamic financial institutions in Malaysia, have been funded with zakat fund (Nurul'Iffah & Hassan, 2022, Osmera et al., 2021, Ramli, 2018).

Business entities guided by Shari'ah principles face more expectations in performing CSR (Jusoh & Ibrahim, 2020, Darus et al., 2014). Similar to paying corporate zakat, CSR is part of religious obligations (*fard kifayah*). Therefore, the organizations involved with CSR activities should carefully strategize CSR initiatives and incorporate them into their corporate strategy, planning, and marketing (Dusuki, 2008). Islamic organizations are in exemplary societal positions to fulfil responsibilities that individual Muslims cannot meet (Farook, 2007). In this notion, the operation of Islamic organizations should be conducted in a permissible manner according to Shari'ah and Islamic principles, where business transactions can never be separated from the moral objectives of the society (Jusoh & Ibrahim, 2020). CSR should also be considered a method to alleviate poverty and achieve the true economic goals of Islam (Yusuf & Bahari, 2015). Hence, zakat is related to CSR because zakat is a resource for economic development in Muslim society.

However, limited studies discuss how the corporate zakat is managed and allocated for CSR initiatives. Most studies on zakat and CSR are conceptual (Harahap, 2021; Selvik, 2018) and focus on CSR disclosures and reporting (Nurul'Iffah & Husni, 2022; Abd Samad et al., 2018, Javaid & Al-Malkawi, 2018; Rosman et al., 2019; Hasan, 2020). Studies on zakat and CSR mainly focus on Islamic financial institutions (Jusoh & Ibrahim, 2020; Abu Bakar & Yusof, 2014; Nor & Hashim, 2015) and ignore other industries. Thus, this study aims to understand the management of zakat fund distribution for CSR initiatives among companies in Malaysia. Hence, disclosing the management practices of corporate zakat distribution is significant to encourage companies in Malaysia to pay corporate zakat to zakat institutions and distribute zakat themselves through their engagement in CSR. This study applies a qualitative approach where several interviews have been conducted with the key personnel responsible for managing corporate zakat in five selected companies.

The remainder of this paper is organized as follows: the following section presents the literature review, the third section describes the research methodology. The analysis and results are presented in the fourth section. The fifth section presents the conclusions and limitations.

Literature Review

Corporate Zakat

Zakat is the obligation toward society (Javaid & Al-Malkawi, 2018). Zakat on business or corporate zakat can be broadly defined as due 2.5 percent of wealth that a company must pay each year based on certain conditions to the eight categories of *asnaf* (Abd Samad et al., 2018). Malaysian Accounting Standard Board (MASB) defines zakat as an obligatory contribution assessed on certain assets owned by a Muslim that satisfies certain conditions and is to be distributed among specific categories of beneficiaries. Meanwhile, corporate zakat is an obligatory contribution assessed based on business assets owned by an entity that satisfy certain conditions and is to be distributed to specific categories (MASB, 2016). Despite an increase in the corporate zakat collection, the issues of whether the companies are obliged to pay zakat are still debatable because zakat on corporate wealth is never clearly discussed in classical Islamic texts. Moreover, there is no enforcement by the government through State Islamic Religious Council or zakat institutions to ensure that companies liable to pay zakat to perform their duties.

In Malaysia, the companies are obliged to pay zakat in accordance to the 31st Fatwa Committee National Council of Islamic Religious Affairs Malaysia held on 9 December 1992. The Fatwa Committee ruled out that the company is compulsory to pay zakat when it fulfils the following conditions:

- a. The company is owned by Muslims
- b. The company is owned by independent Muslims
- c. Absolute ownership
- d. The amount of wealth reaches the minimum zakatable limit (nisab)
- e. Sufficient haul which is a complete one lunar year or 354.3 days
- f. The zakat rate on a company is 2.5 per cent
- g.

Due to high potential of corporate zakat, a country like Indonesia has imposed regulation through CSR program on the zakat aspect. Every company in Indonesia must channel CSR funds by 5 percent. If the company has channelled it 2.5 per cent of fund for CSR through zakat, it only disbursed 2.5 percent more budget for CSR initiatives (Harahap, 2021). Similarly, Islamic banks in Indonesia must publish financial reports stating the amount of zakat funds distributed to mustahik within the CSR program (Hasan, 2020). In Malaysia, paying corporate zakat is voluntary due to the absence of law enforcement in Malaysia. This situation discouraged the companies from paying zakat as it is perceived as unimportant and companies would focus more on paying corporate tax than corporate zakat (Abd Samad et al., 2018). They prefer sharing some of their profit to the CSR program rather than paying zakat to zakat institutions (Hasan, 2020).

In Malaysia, zakat institutions recorded an increase in collection yearly, consequently increasing the amount of zakat funds to be distributed to eligible asnaf. Although the management of zakat collection is very effective, the distribution management of zakat funds was ineffective due to the availability of excess or undistributed fund (Taha et al., 2017). To encourage the private sector to pay corporate zakat to zakat institutions and improve zakat distribution, one of the incentives introduced by zakat institutions is wakalah zakat (policy of zakat refund) (Hamid et al., 2020; Ahmad & Wahid, 2017). Islamic Religious Council of Federal Territory (MAIWP) defines wakalah as the assignation of authority to zakat payers to distribute zakat money by themselves to eligible asnaf group through a refund of an amount of zakat payment based on lined conditions (Osmera et al., 2021). A company can apply for zakat refund until 50 percent or 37.5 percent of the total corporate payment, depending on the amount of zakat payment. The zakat refund can be distributed to asnaf and allocated for CSR initiatives. This wakalah incentive could reduce the corporate tax burden since the tax rebate for corporate zakat is minimal, unlike the individual tax, encouraging companies to pay corporate zakat to zakat institutions.

In line with the participation of private sectors in charitable works and community services through their CSR initiatives, Muslim professionals have made innovations in the mobilization of corporate zakat to expand their CSR projects (Latief, 2013). This can be seen in how Islamic banking institutions practice and manage the corporate zakat. For instance, Bank Islam Malaysia Berhad (BIMB), the first Islamic bank in Malaysia, utilizes the refundable zakat (wakalah zakat) to conduct CSR initiatives. In 2021, BIMB paid RM11.8 million corporate zakat to 14 zakat institutions and distributed almost RM8 million worth of zakat to enhance

the well-being of society through their various social initiatives (Bank Islam Integrated Report, 2021).

Corporate Social Responsibility

Corporate social responsibility (CSR) is an umbrella term encompassing multiple concepts regarding the role and impact of business on society. CSR is defined as a discretionary allocation of corporate resources toward improving social welfare that enhances the relationship with key stakeholders (Barnett, 2007). Nowadays, the private sectors are expected to take part and contribute to society due to the government's limited resources to tackle socio-economic challenges and meet the citizens' needs. Companies continuously encounter pressure from multiple stakeholders to devote resources to CSR such as customers, employees, suppliers, community groups, governments, and institutional shareholders (McWilliams & Siegel, 2001). Due to the pressure from stakeholders, CSR is not just seen as philanthropic activity; instead, CSR is strategically used by companies to gain legitimacy, enhance brand image and also improve the financial performance of the company (Platonova et al., 2018). Many managers invest in CSR activities not to make a financial return but because they seek to create social or environmental impact (Peloza & Shang, 2014). It is believed that the contribution to the community in which the companies operate will be potentially beneficial as it increases the license to operate and enhances the organizations' long-term sustainability.

The allocation of firm resources towards CSR is typically based on an argument for the business case (Barnett, 2019; Schaltegger & Burritt, 2018; Peloza, 2009; Barnett, 2007). A business case can be seen as a rationale that guides management thinking and justifies management decisions and activities (Schaltegger & Burritt, 2018). In this view, firms should understand their ability to gain benefits and profits from CSR, which provides a basis for their involvement in meeting the needs of society (Barnett, 2019). Studies like Barney (1991); Branco & Rodrigues (2006) argued that companies would nurture their resources to enhance their performance and eventually gain competitive advantage in the long term. This argument is consistent with Carroll & Shabana (2010) that CSR focus has shifted from ethics orientation to performance orientation. Today, the business case paradigm for CSR dominates the practice of corporations, where firms annually portray their substantial investment in CSR in their sustainability report and declare a positive relationship between the firm's success and its contribution to society (Barnett et al., 2021). In this practice, companies use CSR as a legitimacy strategy to change society's perception of their actions and improve their image through their involvement in community activities.

Zakat and Corporate Social Responsibility

In Islamic perspective, businesses are responsible for society by performing zakat and other charitable activities as stated in Qur'an. Islamic organizations may use their resources to conduct CSR initiatives and contribute to society's well-being. CSR in Islam aims to promote social justice and obtain Allah's blessing (barakah) and al-falah (success) in this life and in the Hereafter. Javaid & Al-Malkawi (2018) argued that firms in developing countries are still in the nascent stage of their awareness and integration of CSR activities within their corporate policies and strategies. As Malaysia is progressing and becoming the leading Islamic finance hubs, there is still no a particular CSR framework to guide Islamic organizations including Islamic financial institutions, on CSR implementation (Jusoh & Ibrahim, 2020; Darus, 2012).

Islamic organizations based on Shari'ah principles and values derived from al-Qur'an and Sunnah are using the conventional CSR framework to guide their CSR activities and disclosures. This conventional framework may not be suitable to guide the CSR practices of Islamic organizations.

Furthermore, there is a lack of empirical studies on how the financial resources and CSR fund should be managed, especially the zakat fund, to support the CSR initiatives and bring impact to the asnaf and Muslim community at large. For instance, Abu Bakar & Yusof (2014) found that the zakat fund becomes the primary source of CSR fund in Bank Islam Malaysia Berhad. The study further detailed three dominant purposes of CSR engagement of Bank Islam; (1) to fulfill the religious obligation as an Islamic business entity through zakat and so on, (2) to promote the image of the bank as a responsible bank for the sustainability of the business and (3) to enhance the well-being of all stakeholders. Pauzi et al (2014) revealed that corporate zakat fund distribution by Bank Kerjasama Rakyat Berhad, helped the zakat institutions in more effective zakat distribution. Bank Rakyat has identified the potential asnaf, without depending on zakat institutions and has distributed the corporate zakat nationwide since they have branches in all states in Malaysia. Similarly, Osmera et al (2021) found that the zakat wakalah mechanism enables companies to distribute zakat to any eligible asnaf from all places even though zakat collection is from Federal Territory. Thus, the distributive locality becomes more expansive, and distribution can be executed more quickly.

Other studies provided empirical evidence linking the zakat to the performance of Islamic banks. Using zakat contribution as a measure of CSR, Rosman et al., (2019) found that zakat contributions improve the Islamic bank's financial performance. Their study further indicates that when Islamic banks focus on social obligations, they can build their reputation and expectation from various stakeholders. Their findings are consistent with Javaid & Al-Malkawi (2018), where zakat contributes positively to the firm's profitability and value to society. On the other hand, Nurul'Iffah & Hassan (2022); Samad et al (2015) found that Islamic banks in Malaysia have minimal disclosure on zakat despite so many initiatives have been delivered using zakat fund. It is proven that some form of regulatory intervention is needed to result in high quality or good practice in organizations whose operations are based on Shari'ah principles (Jusoh & Ibrahim, 2020).

Research Methods

This study involves qualitative research. In line with the objective of this study is to understand the practice of corporate zakat distribution for CSR initiatives among corporate zakat payers in Malaysia, this study used semi-structured online interviews. Interviews are recorded after obtaining permission to record the interviews. The interviews were conducted with informants who are involved in managing zakat fund and conducting CSR initiatives in the company such as Shari'ah Manager and Manager of Islamic Social Finance Department. Qualitative approach can provide knowledge that target societal issues, questions or problems and therefore serves humankind (Tracy, 2019). According to Qu & Dumay (2011), there are two rational for using semi-structured interviews. First, a semi-structured interview allows rich feedback from the informants of the study, and secondly, it allows more focus in deriving the research findings through a series of themes. An interview script as part of interview protocol containing a list of questions was prepared prior to the interview process. Five companies which are consistent zakat payers in MAIWP are selected and can be

categorised into two groups: (1) financial institutions and (2) non-financial institutions. Table 1 provides summary of the interviews conducted at five selected companies. Interview data were immediately transcribed before the data analysis. The transcription is translated to English as the interviews were conducted in the mixed language of Malays and English to suit the informant's needs. Transcripts were imported into Nvivo 12 software for data analysis is to be carried out. Data were then coded and analysed to search for patterns and emerging themes.

Table 1

Summary of Interviews

Companies	Type of companies	Category	Informants	Date of interview
Company 1	Public listed company (property and investment)	Non-financial institution	INF 1	June 2020
Company 2	Takaful company	Financial institution	INF 2	February 2021
Company 3	Islamic bank	Financial institution	INF 3	April 2021
Company 4	Islamic bank	Financial institution	INF 4	July 2021
Company 5	Private company (consumer product)	Non-financial institution	INF 5	July 2021

Results and Discussions*Top Management Commitment*

In line with the Islamic principles, all these five companies firmly believe that distributing zakat through their CSR initiatives is part of religious obligations to share their corporate wealth with the poor and the needy and the corporate zakat refund (wakalah) has been allocated systematically towards sustainability in line with Sustainability Development Goal (SDG). Thus, CSR practice goes beyond philanthropic commitments where the focus CSR is creating shared value for both the business and the society. On top of that, the top management commitment towards sustainability is highly regarded as important factors in ensuring the CSR is delivered accordingly to ensure the value creation, thus influence more effective zakat distribution by the company. Additionally, zakat distribution is aligned with the CSR mission of the company.

"The top management in our company always believe that we have social responsibilities to the society. We have a role to help the society through community development programme. Before this, we we don't have zakat framework but now, our Board of Directors have endorsed zakat framework which guide our corporate zakat distribution" (INF 1)

“Our Board of Directors are always committed to sustainability. They give us examples of other companies that successfully implementing sustainability in their operations. This gives us some ideas to synergise more effective delivery of our CSR initiatives. Our zakat fund is used systematically for this purpose” (INF 2)

“Our company want to be a game changer and leading Islamic social finance institutions. We focus on financial inclusion and uphold the Value Based Intermediation concept and SDG concept in our business plan. We also focus on digitalisation and enhancing our Islamic social finance agenda through many initiatives” (INF 3)

“Our zakat distribution and CSR activities must be based on Maqasid Shari’ah, not just depending on normal Islamic banking framework. At the same time, we are also committed for VBI and sustainability” (INF 4)

Despite each company having different structure in zakat management, CSR is highly related to zakat. Due to this, these companies are consistently paying zakat to MAIWP and using the zakat refund as one of the main sources for CSR fund. Moreover, engagement with CSR and distribute zakat directly to the asnaf could enhance corporate image.

“In 2016, our Board of Directors decided to distribute the zakat through wakalah mechanism where we receive zakat refund from zakat institutions. It is not just part of our obligations, but the direct zakat distribution make our company closer with the public and improve our image”(INF 1)

Zakat Framework

The findings from the interviews revealed that companies agreed that zakat is an important resource of fund for their CSR initiatives. With zakat fund, they are expanding their CSR initiatives and able to meet the needs of more asnaf and beneficiaries. Zakat fund is also distributed to other states in Malaysia although the zakat is paid to MAIWP which result in more effective distribution. In addition, companies have a right to identify the asnaf themselves without depending on the zakat institutions.

“We distribute zakat based on our zakat framework. For national level, zakat fund is distributed for sustainable and long-term initiatives It is distributed throughout country for education, healthcare and community upliftment projects. For state level, zakat is allocated for one-off programs such as financial donation to asnaf students and school van to selected religious school” (INF 1)

This study also found that not all companies have zakat framework that guides them. The zakat allocation is properly planned and executed towards CSR initiatives that create value and impact. The use of zakat fund is still systematically budgeted and presented to the top management of the companies.

We don’t have a framework but we align our CSR initiatives towards VBI and SDGs as per what our top management wants. As an example, now we have CSR projects to provide clean water supply for rural areas as to align with SDG number 6” (INF 2)

Our zakat distribution is aligned with core business. We don't have formal zakat framework but the planning on zakat distribution shall be presented at the BOD meeting. Upon approval, we distribute zakat for community CSR program such as orphanage centre and donation to mosque. Other than that, we provide financial assistance and product supplies to micro-entrepreneurs especially those who have affected due to COVID-19 pandemic" (INF 5)

Stakeholder Engagement

Engagement with stakeholders such as government, communities, customers, businesses, and non-governmental organizations through collaboration is perceived as essential and able to leverage on synergies to create greater value for society at large. Through collaboration in CSR initiatives, all three companies believe it can holistically transform the communities and create positive social impacts. On top of that, the companies believe that the selection of collaborative partners is crucial to ensure the effective zakat distribution and their CSR initiatives achieve its socio-economic objectives that can bring value and impact.

"The zakat fund has been utilised for funding community upliftment programs such as medical and healthcare programs in government hospitals. We collaborate with government agencies and government hospitals to realise and fulfill these CSR initiatives. Through collaboration, we can identify the area for the specific targeted populations and we receive input from the hospitals on the details of the equipment required. We plan and channeling the zakat fund for medical equipment contributions at the targeted areas" (INF 1)

However, it is interesting to find out that interviews conducted provide new insights into the engagement of companies with non-governmental organizations (NGOs). In addition, NGOs become the strategic partners in delivering the zakat funded CSR initiatives. The engagement and collaboration with NGOs would ensure effective mobilization of resources in the delivery of initiatives to the asnaf (zakat beneficiaries) and community as a whole.

"We have a project of CSR where we collaborate with NGOs and universities to help the students from a poor family. Students from the welfare home are identified by the NGOs and we pay their education fees and to the extent, we ensure these students can pursue their studies in collaborated universities" (INF 2)

"We use zakat fund for programs such as food for homeless and micro-credit scheme to aid small entrepreneurs. We also have economic empowerment program in Sabah where we work with NGOs to identify the targeted location and beneficiaries" (INF 3)

"The purpose of our jariah fund is to develop economic empowerment program and we have been running the program for almost one year. We focused on profitability, viability, training and mentoring. We collaborate with NGOs for this purpose to help us in screening the potential beneficiaries for this economic empowerment program" (INF 4)

Besides, the distribution of zakat fund through wakalah mechanism provides an opportunity for companies to collaborate with zakat institutions. For example, zakat institutions can provide the list of locality and potential asnaf identified that fulfil the criteria stipulated by zakat institutions.

“We have a good partnership with Pusat Pungutan Zakat MAIWP (PPZ-MAIWP) and support their program such as Bangkit Khaira for those affected due to pandemic. Our wakalah zakat fund is distributed for asnaf and community. With the support from PPZ-MAIWP, we managed to identify and selected a group of 500 microentrepreneurs and distributed RM500,000 for their financial assistance to run their businesses” (INF 5)

The interviews provide evidence of the importance of the collaborative approach of wakalah zakat funded CSR initiatives as the partnership and alliance with the partners contribute to knowledge sharing and network that assist in tackling the selected social issues. The social issues could be addressed systematically while ensuring optimum zakat distribution for sustainable CSR initiatives and, in the end, could create value for the business and society.

This study provides insight into how zakat becomes a sustainable resource in implementing CSR initiatives. The zakat refund (wakalah) has been strategically allocated for an impactful CSR program that aligned with top management aspirations to create value for society and the company. By narrowing the gap between the rich and the poor, it could lead the company to achieve both short-term and long-term goals and enhance the firm value in the market (Javaid & Al-Malkawi, 2018). With a proper zakat distribution framework, zakat is not just allocated for one-off such as donation but also for long-term impactful projects such as asnaf empowerment programs, which requires adequate monitoring on the impact of the zakat distribution. Furthermore, engagement and collaboration with stakeholders such as zakat institutions and NGOs could improve the delivery of CSR initiatives, fulfill the beneficiaries (asnaf) needs effectively and ensure the CSR initiatives achieve the intended social impact.

Conclusion

Paying corporate zakat is considered a religious obligation for Islamic organisations. Interestingly, the wakalah mechanism introduced by zakat institutions provides an opportunity for companies and Islamic organizations to allocate their zakat refund as a source of CSR fund. The CSR nowadays goes beyond philanthropic commitments where CSR is aligned with sustainability agenda. The zakat fund has the potential to fill the gap in funding needed to achieve SDG. Corporate zakat has promising prospects to finance the CSR initiatives and contribute to the well-being of underserved communities. With a large amount of corporate zakat as potential resources, more CSR initiatives targeted at a broader population of asnaf (zakat beneficiaries) can be reached.

Zakat funded CSR initiatives can be prioritized to the selected social issues, aiming to the correct targeted beneficiaries and could reach a larger scale of communities. Therefore, it is essential that more corporations pay zakat to assist the government, non-governmental organisations (NGOs), and zakat institutions in addressing socioeconomic issues. Meanwhile, Islamic organizations and companies can use the zakat fund as part of CSR fund and invest in

a sustainable way to identified groups of recipients and ensure those recipients become economically empowered.

This study proposed a need for zakat institutions and regulators in Malaysia to provide a guideline on corporate zakat distribution framework to assist the private sector in distributing zakat funds effectively. Additionally, the zakat framework should be aligned with SDG agenda and value-based intermediation (VBI), ensuring that zakat fund and CSR initiatives of the companies can bring impact and value to the business and community. Meanwhile, zakat institutions should proactively encourage the corporate zakat payers to distribute zakat themselves through zakat wakalah mechanism. The good practice of existing corporate zakat payers in delivering their zakat distribution through CSR initiatives should be used as a benchmark for other companies, which consequently contributes to more companies pay zakat to zakat institutions.

Certain limitations in this study need to be acknowledged. Although the researchers managed to interview five companies consisting of financial and non-financial institutions, the difference between the zakat distribution practices among these two groups are not being addressed by this current study. Thus, future study should conduct a comparison between zakat distribution practices implemented by non-financial and financial institutions. In future research, the corporate zakat payers should also include the cooperatives as they are also corporate zakat payers and pay a significant amount of zakat to zakat institutions (Marquis, 2014).

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