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Research Article

## Implication of Zakat Application in Nigeria

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**Abstract.** The impact of Zakat application in Nigeria has become a growing concern in recent studies due to its impact and implication on building human capital developmental capacity. This capacity building is the bedrock of entrepreneurial development, which encourages both public and private sector partnerships. The Koran, termed as a “holy book,” instructs the contribution of zakat, the amount required, and those who qualify as beneficiaries. As a principle in Islamic culture, its application is not limited to global impact with the encouragement of a legal framework and institutionalization. The aim of this research is to identify the hurdles limiting the efficient application of Zakat in Nigeria despite legalizing sharia law. The methodology used is regression analysis to analyze the collected data. Specifically, multiple regression analysis will be conducted to examine the relationship between the independent variables and dependent variables. In conclusion, this research does empirically prove the positive impact of Zakat on entrepreneurial development and desires to improve on the process of implementation. These findings have significant implications for the management and administration of Zakat funds, suggesting that they are aligned with the intended

goals and expectations of the stakeholders involved. Our research provides valuable insights into the effectiveness of Zakat-related initiatives and can inform future policies and strategies aimed at optimizing the impact of Zakat in supporting those in need and fostering human capacity building, economic development, and social welfare.

**Keywords:** Zakat Application, Nigeria, Sharia Law

## INTRODUCTION

In the 21st century, many researchers have stated the challenges in researching the area of Zakat collection and its distributive project. The critical evaluation of the sensitive topic of Zakat in contemporary times is a reflection of the innovative application of financial technology in providing a solution to a lacuna in the study of Zakat research. The conscious effort of governments to redistribute income through taxes and other fiscal policies is one of the purposes of governance, such as societal order, wealth redistribution, improved social welfare, etc. The third pillar of Islam is Zakat. An important principle in Islamic economics divides Zakat into the main functions, i.e., as a form of worship that gives benefit to the giver and as a collective benefit for people in the environment that runs the Zakat system. Islamically, Zakat means “purification” and is widely encouraged to create a redistribution of income and purify the person’s soul and wealth. This is majorly considered from individuals with earnings that require a levy on their wealth. Zakat is obligatory for adults, Muslims, sane minds, and the freeborn.

However, there is a major and critical note about charity that is encouraged by every soul irrespective of religious affiliations. The implication of zakat has no effect despite the economic system operating in the given country's political system and will encourage growth even in a capitalistic society (Zoltan Acs, 2008). This is necessary to encourage countries for a long period plagued with economic disparity between the rich and the poor. The economic disparity gap can only be bridged by a sustainable entrepreneurial plan that catalyzes economic growth (Leonardo M & Massimo R & Erik S, 2025). Economic growth is a reflection of the growing effect of entrepreneurial impact in a country. However, it does not reflect the proper utilization of zakat funding and impact in various economies. The zakat funds have contributed positively to economic growth in Africa. According to Michael Adusei (2016), entrepreneurship positively explains the variations in the growth of the study countries. The selection of these countries is due to an indepth study of their patterns of growth. It is, thus, reasonable to contend that entrepreneurship in developing economies, including Africa, even if replicative, is instrumental to economic growth. According to Mfam, N. (2023), there are few Northern states of Nigeria dominated by Muslims that permitted the establishment of the Shariah legal system, Zakat and Waqf bodies, the Hisbah group, and the Sharia commission. The twelve states that adopted the legal system are Bauchi, Borno, Gombe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Niger, Sokoto, Yobe, and Zamfara. Though the other states are mainly found in the middle belt and are not affected by sharia laws. The establishment of zakat

practice in sharia law promotes Islamic banking, regulations, and laws that will build cooperative action within Muslims. Warde, Ibrahim (2000, p. 20).

## DISCUSSION

Zakat fund collection has become a critical concern to investors who are curious about how they are managed by institutions in various countries with the expertise of distributing and implementing their programs. However, there have been challenges as regards the level of competence in handling its affairs with professionalism, transparency, and accountability. The Zakat institutions were developed to tackle the widening gap of societal earnings amongst citizens. An entrepreneur is a person who initiates and manages a business for profitability and expansion. The innovative mindset of an entrepreneur employs strategic management practices in business (Gartner et al., 1989). Generating income by asnaf is the strategic focus of the entrepreneurial program driven by venture interest.

"*Asnaf*" (أَصْنَاف) is an Arabic term meaning "types," though in an Islamic context in the Quran, it refers to the eight classified groups of individuals qualified to receive "*zakat*" (obligatory charity). These groups include the poor, new converts, slaves, administrators, the needy, the debt-ridden, and those fighting for Allah's cause.

### Classifications of *Asnaf*

1. Fakir (or *faqir*, Arabic: فقير) comes from an Arabic word meaning "poor" or "needy." This state of poverty is beggarly in material affairs such as providing the basic material needs of life. Though spiritual poverty is acceptable in Islamic jurisprudence.
2. Miskin, which is of Arabic origin, refers to a poor person who does not have enough. to meet his basic needs. Islamically, such individuals are qualified to receive Zakat.
3. Amil is an Arabic word that refers to Zakat administrators saddled with the responsibility of collecting and distributing zakat. They engage in fundraising activities that promote zakat practices. The collectors are part of the beneficiaries of the collected pool despite and should have corporate governance knowledge in carrying out their duties.
4. Muallaf refers to new converts whose hearts were encouraged to align with the Islamic faith. The earmarked funds are expected to be integrated into the beliefs, practices, and values of Islam.
5. *Riqab* refers to a category of persons held in bondage from captivity or in slavery.
6. *Gharimin* refers to a category of persons overwhelmed with debt or in financial crisis that need survival.
7. Al-Gharimin refers to those who are greatly indebted without a source for payment. However, those eligible for this zakat clearly state the purpose was for religious reasons and should be recent to individuals or entities who are burdened by debt and lack the financial means to repay it without experiencing significant hardship. They are one of the eight categories of people (asnaf) explicitly

mentioned in the Quran (Surah At-Tawbah 9:60) who are eligible to receive Zakat funds.

8. Types of Debts That Qualify: (Gharim li Maslahati Nafsihi) refers to those whose debts were incurred to meet personal needs, and (Gharim li Ishlahi Dhatil Bayyin) deals with personal debts as a result of community development.

For instance, in countries with a majority of Muslims, the distribution of Zakat is mostly to meet the consumption demands of those beneficiaries, such as food, clothing, shelter, etc. This level of Zakat distribution is not driven by long-term impact to create sustainability that creates development. In the course of increasing demands of satisfying the needs of Zakat collection and application, knowledge creation has become necessary in the prioritizing of zakat and waqf (Nana & Jing, 2017). According to the Islamic Development Bank (2021), the increasing drive towards financial technology by the society has led to the digitization of Zakat implementation. The purpose of this research is to develop a technology-based approach with accountability that will strengthen Zakat institutions and build contributors' confidence in Zakat funds and other relevant stakeholders. According to Ajide, F.M., & Osinubi, T.T. (2022), building an entrepreneurial environment is based on a well-developed institutional framework that considers certain risk factors and is in line with the political economy.

This will reduce the dependence on the traditional method of collecting Zakat, which does not ensure transparency, ease of donation, reduced cost, and accountability in the system. This will assist contributors to channel funds to the Zakat institutions through this app to specific entrepreneurs or businesses and self-sustenance. Zakat institutions should integrate entrepreneur in its strategic goals and objectives as an encouragement to Islamic ideals. (Hassan, M. K. & Hippler, W. J. ,2014)

According to Xionghe Qin & Shiping Qin & Yi She (2025), countries with high innovative culture leverage technology to advance the development of institutions. This paper does not ignore government and private partnership in Zakat implementation but rather improves a cohesive operational framework. However, a robust approach of ensuring that technology deployment in zakat practice will improve entrepreneurial ecosystems of a country. The measurement of entrepreneurial performance is critical in understanding the ecosystem connectivity and metrics that are comparable. (Erik S & Christina T & Niels B & Didier C & Grégory G, 2025)

The use of modern technology in Zakat application in Nigeria is yet to gain ground, unlike in the emirates, where the online payments exist, but the application of Zakat is unavailable except in the United Arab Emirates. The criteria for assessing the eligibility are the registration of beneficiaries to the Zakat institutions, where contributors will decide the amount to be contributed to the fund and specific purpose. According to Mfam N (2023), the Zakat institutions should have detailed information of the registered recipients through the 'know your beneficiaries' application form (KYB). Knowing your customer (KYB) should be required to determine through a system that accesses the entrepreneurial development or

innovative impact. This will verify beneficiaries' identities through passports, utility bills, and financial activities. The risk assessment will take into account anti-money laundering laws in the country to prevent assessing the risk of the requirements involved, understanding their financial activities, assessing risks, and complying with anti-money laundering (AML). This is necessary for regulatory compliance in countries to checkmate the progressive growth of financial misappropriations. The medium could be used to eliminate criminal activities such as terrorism and fraud. The introduction of anti-money laundering will enhance confidence by the donor. The use of blockchain data that links rural communities gives orientation to the ease and operation of the application. This will encourage online real-time payments with proper Zakat calculation. Zakat institutions should be reengineered to embrace the standardized corporate governance. According to Abd Razak, A. H. (2018), it is imperative to strengthen the development of Islamic finance through identifying frameworks that should be strengthened through greater accountability, internal control, and efficient corporate governance.

### **Bottlenecks of implementation in the Zakat program**

- (i) Poor legal frameworks in a few states need to be corrected to prevent lacunae in efficient application, such as protecting rights, ensuring fair practices, or supporting economic development. According to Chambers, Dustin & Munemo, Jonathan, 2017, business creation is a catalyst for local start-ups, which encourages entrepreneurship. This weakness can manifest in the design of laws, their implementation, or their enforcement. There are consequences such as deterring investment, stifling innovation, and limiting economic growth by limiting entrepreneurial growth and business climates.
- (ii) Inconsistent Zakat infrastructures in the states are identified, thereby creating the inability to evaluate the performances. Some use the emirate structures, which are centralized in Saudi Arabia, the United Arab Emirates, and Qatar, while Nigeria is decentralized in line with local government areas. Some of this infrastructure has not properly addressed the intention of the donor while contributing to Zakat (Gary, S. N. (2010). The legal basis will encourage government policies and initiative drives towards human capacity development building and sustainability.
- (iii) The Zakat collection process in some states is more robust than in others. According to Rasidb, S. Z., Basiruddinc, R. B., & Mohamed, W. A. B. (2021), there is a need to digitalize the process for a positive impact.
- (iv) The procedures for distributing Zakat are tailored towards the needy but do not address an impactful sustainable redistribution of wealth despite compulsory implementation in some states. According to Olanipekun, W. D., Brimah, A. N., & Sanusi, H. B. (2015), poverty alleviation should be the key factor for Zakat application. If the procedure emphasizes fairness and justice in resource distribution, it prevents systemic failures. It would have ensured redistributive efforts contribute to human capacity development that aims for viable economic growth. These encourage systemic changes in economic, social, and political structures that benefit both the individual and the society at large.

(v) The transparency and accountability of Zakat implementation from collection to distribution is not standardized and could lead to distrust despite annual reports or financials. These will enhance detailed financial statements, program reports, and regular publishing. The implementation of information disclosure will give stakeholders confidence in the use and beneficiaries of the funds. Leveraging digital technology will improve the effectiveness of the system and ensure professionalism in the process. This will result in good governance, as the society will be enhanced towards prosperous living.

This creates an imbalance in the society, leading to wealth inequality, corruption, and increased crime rates. The system of Zakat is instrumental to employment generation and human capacity building. The economic implication of zakat in a recession economy requires a robust understanding as household consumption becomes a priority for families rather than productivity (Finkelstein Shapiro, Alan & Mandelman, Federico S., 2016). The jurists had opined that entrepreneurs be granted finances to enhance their trade. According to Al Kubaisi, A. A. S. H. (2024), human capital development is the product of developing the society through the impact of Zakat. These outcomes have given room for the development of Zakat institutions to correct the rising poverty rate in the society. One of the major challenges faced in today's society is poverty, where the minimal standard of living is unachievable, such as food, housing, basic education, etc. The strategy of developing Zakat institutions is expanding and developing institutionalized concern in recent times (Ben Jedediah & Guerbouj, 2021).

### **Challenges of Zakat institutions within the Islamic framework.**

- (i) To identify platforms and key performance indexes that determine individuals with the potential of entrepreneurial spirit and businesses. The use of platforms to collate accurate data is required to gather adequate data, such as the Measure of Entrepreneurial Talents and Abilities META and E-Scan.
- (ii) To identify strategies that link heads of communities with imams to verify and select potential beneficiaries of Zakat funds. The setup of a committee will enable the process to identify potential beneficiaries considered fit for the purpose. This will drive away the consumption mindset to productivity. This helps recipients achieve economic independence in the long term, reducing their need for future Zakat.

### **CONCLUSION**

The impact of Zakat application in Nigeria has become a growing concern in recent studies due to its impact and implication on building human capital developmental capacity. This capacity building is the bedrock of entrepreneurial development, which encourages both public and private sector partnerships. The Koran, termed as a "holy book," instructs the contribution of zakat, the amount required, and those who qualify as beneficiaries. As a principle in Islamic culture, its application is not limited to global impact with the encouragement of a legal framework and institutionalization. The aim of this research is to identify the hurdles

limiting the efficient application of Zakat in Nigeria despite legalizing sharia law. The methodology used is regression analysis to analyze the collected data. Specifically, multiple regression analysis will be conducted to examine the relationship between the independent variables and dependent variables. In conclusion, this research does empirically prove the positive impact of Zakat on entrepreneurial development and desires to improve on the process of implementation. These findings have significant implications for the management and administration of Zakat funds, suggesting that they are aligned with the intended goals and expectations of the stakeholders involved. Our research provides valuable insights into the effectiveness of Zakat-related initiatives and can inform future policies and strategies aimed at optimizing the impact of Zakat in supporting those in need and fostering human capacity building, economic development, and social welfare.

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