

**THE THEORETICAL FRAMEWORK OF EFFECTIVENESS OF ZAKAT
INTUITION IN ZAKAT, CUSTOM AND TAX IN SAUDI ARABIA:
TOOLS AND CHALLENGES**

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Abstract: This study aims to investigate the theoretical framework of effectiveness of zakat intuition in Zakat, Custom and Tax in Saudi Arabia: tools and Challenges. The problem is the absence of effective Zakat institutions in procedures hinders the proper monitoring of Zakat collection and its allocation. The study highlighted the importance of effectiveness of zakat institution in Zakat, Custom and Tax in Saudi Arabia (ZACTA) in Saudi Arabia. This study followed quantitative research method approach to investigate the theoretical framework of effectiveness of zakat intuition in Zakat, Custom and Tax in Saudi Arabia: tools and Challenges. The findings of study reveal that the General Authority for Zakat and Income Tax (GAZT) was founded in 1951 with the main purpose of collecting trade Zakat from both Saudi Arabian nationals and resident residents of the Gulf Cooperation Council (GCC) nations. The historical practice of zakat has been crucial in promoting social solidarity and reducing economic inequalities within the Muslim community. It functions as a means of distributing resources to assist the underprivileged and disadvantaged sectors of society, therefore promoting the general well-being of the community. This study recommends that ZACTA have to cover poor people and who need support.

Keywords: Effectiveness of Zakat Intuition in Zakat, Tools, Challenges, Theoretical Framework.

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INTRODUCTION

Zakat (almsgiving) has rightly become a very essential Islamic weapon for the concerned scholars as well as for the (many) Islamically minded nations, to address social inequities that require correction and restitution, for the poor. Historically, zakat had an important and promising role in the early Muslim history (Hasan, 2020).

The endeavor achieved a moderate level of success until the incursion of Muslim lands by the troops of medievalists originating from the western regions. Following the annexations carried out by these forces, zakat, which serves as a religious and influential means of social correction, unfortunately saw a decline in its genuine effectiveness (Hussein and Osman, 2022). It is perceived as a hypothetical concept and has been implemented in a limited number of locations to ensure that the rightful entitlements of the less fortunate are met in a just and gradual

manner. Fortunately, the zakat situation is gradually improving in its ability to help the poor and disadvantaged. Currently, the collection of zakat is increasing steadily in many regions. However, the potential for efficient collection and distribution has not yet been fully used (Mursal et al, 2023). Generally, Muslims see zakat as an effective economic tool that has the potential to eliminate poverty and expedite economic progress (Sarea, 2020). Nevertheless, experts claim that the fair allocation of zakat, along with integrity and discernment, may guarantee a just and balanced distribution of wealth throughout society. This statement highlights the true essence of zakat, which encompasses the concepts of growth, purification, and the establishment of peace (Omar et al., 2023).

Prior studies have shown that the enhancement of sustainable development via the success of the Zakat Institution is impacted by several aspects, such as financial effectiveness, customer effectiveness, internal effectiveness, and growth effectiveness. In addition, there have been several advancements, and sustainable development has transitioned from only addressing ecological difficulties to tackling the most significant global crises (Jedidia and Guerbouj, 2020).

Addressing poverty and inequality is a significant challenge in the current decade (Utami et al., 2020). The limited resources and main objective of zakat to address social injustice and poverty make it a viable supplementary source of money for the fund (Tajuddin, 2022). Islamic companies and organizations are now focusing on enhancing their transparency via the efficient implementation of the zakat system.

The body is tasked with the effective acquisition and allocation of Zakat money, guaranteeing their delivery to the appropriate beneficiaries as mandated by Islamic law. Zakat serves as both a religious duty and a mechanism to foster social cohesion and financial independence among the Muslim population. The authority's efforts to proficiently administer Zakat monies have been acknowledged, with research emphasizing the capacity of Zakat to tackle challenges like as poverty, unemployment, and unequal income distribution in Muslim cultures (Al-Salih, 2020).

The authority's proficient administration of Zakat funding has been acknowledged for its capacity to tackle problems like as poverty, unemployment, and economic disparity in Muslim countries. Aside from Zakat, the body also manages the collection of taxes and customs charges, which provide a substantial contribution to the government's budget. The Zakat, Tax and Customs Authority's complete approach to fiscal management is in accordance with the Islamic ideals of wealth sharing and social responsibility. The authority guarantees a harmonious and fair system that promotes the country's economic growth and social development by incorporating Zakat, tax, and customs charges (Bogari, 2020).

PROBLEM STATEMENT

Zakat, a mandatory religious duty in Islam, has been deeply ingrained throughout Saudi Arabian culture for an extensive period of time. The aforementioned concept refers to a technique and field of social work that is designed to assist individuals in overcoming poverty and effecting societal change across several levels (Al-Salih, 2020). According to the recommendation of King Salman about implementing the objectives of sustainable development in the vision 2030 in all institutions and put it in the first priority for work on it. The Saudi Arabia government

made effort to implementing these goals in particular on Zakat, Tax, and Customs Authority (Vision, 2024).

The absence of effective zakat institution in procedures hinders the proper monitoring of Zakat collection and its allocation (Ebaid, 2021). While taxes has been a common method of generating government money in Muslim-majority nations, zakat has a wider range of effects, including influencing economic growth and functioning as a tool for Islamic socially responsible financing (Otman, 2022).

A comprehensive study has been carried out on zakat to assess the level of poverty and deprivation among the Malaysian Muslim community (Hussein and Osman, 2022). Research on zakat has mostly focused on the fiqh perspective, including the definition of zakat, the obligatory categories of assets subject to zakat, and the allocation of collected cash for infrastructure development or improvement. Several studies have examined various regulatory aspects of zakat management, as explored by Otman (2022).

This impedes the capacity to evaluate the efficacy of the Zakat system in attaining its desired goals and mitigating social and economic disparities. Furthermore, it is important to note that the administration of Zakat in Saudi Arabia is mostly overseen by the Ministry of Finance, notably via the Tok et al (2022). Although the centralised model offers a certain degree of supervision, it also restricts the participation of other stakeholders, including civil society organisations and local communities, in the management and allocation of Zakat payments. The absence of active participation of ZACTA might result in a hierarchical approach to decision-making that may fail to sufficiently consider the distinct requirements of sustainable development in Saudi Arabia (Tajuddin, 2022).

Furthermore, the stipulation that Zakat is exclusively obligatory for Muslims, while non-Muslims are subject to taxation, gives rise to a discrepancy in the financial effectiveness of people, which has the potential to worsen social and economic disparities. Moreover, the management of Zakat in Saudi Arabia has a gender component. According to Weiss (2020), there is a lack of Zakat institution for Muslim women's non-governmental and civil society organisations engaged in social welfare provision. This lack of support further constrains their capacity to effectively address the unique needs and challenges encountered by women in Saudi society (Tok, 2022).

The administration of ZACTA in Saudi Arabia encounter many problems that impose limitations on its capacity to effectively contribute to sustainable development and the mitigation of social and economic inequities.

Nevertheless, despite these aforementioned limitations, empirical data indicates that Zakat may have favourable outcomes in terms of enhancing social welfare and promoting sustainable development within the context of Saudi Arabia (MAAZOUZ, 2020).

Al-Salih (2020) provided many study findings that demonstrated the favourable influence of Zakat on both social welfare and economic sustainability within the context of Saudi Arabia. This was achieved by the use of a distribution simulation model, which yielded positive outcomes. The 2016 World Bank/Islamic Development Bank Report (Mursal, 2023) emphasises the considerable variation in the potential resources and effect of Islamic social finance mechanisms, such as Zakat in Saudi Arabia. The recognition of Zakat's potential in contributing to sustainable development and addressing social and economic inequities has been acknowledged by several scholars and organisations. The 2016 World Bank/Islamic Development Bank Report emphasises that the effectiveness and influence of Islamic social finance mechanisms, such as Zakat, exhibit significant disparities between countries and contexts. Hence, despite encountering obstacles and discrepancies in the management and financial tracking of Zakat, scholarly investigations have shown its potential to provide favourable outcomes in terms of societal well-being and economic durability across diverse settings (Sarea, 2020). Thus, this study aims to investigate the tools of effectiveness of zakat

intuition of ZACTA. Also. to determine the challenges of effectiveness of zakat intuition of ZACTA.

RESEARCH METHODOLOGY

A research design, as defined by Huntington-Klein (2021), is a methodical and organized methodology used to investigate a study issue in a scientific way. This scientific methodology entails the identification of research hypotheses and the subsequent derivation of their consequences. On the other hand, the research hypotheses provide explanations for specific acts and occurrences. This study followed quantitative research method approach to investigate the theoretical framework of effectiveness of zakat intuition in Zakat, Custom and Tax in Saudi Arabia: tools and Challenges.

EFFECTIVENESS OF ZAKAT INTUITION

DEFINITION OF EFFECTIVENESS OF ZAKAT INSTITUTION

Zakat is an obligatory practice in Islam, established by Allah (swt) and strongly encouraged by the Prophet Muhammad (pbuh). Ur Rehman et al (2021) provides a clear definition of Zakat as a mandatory kind of charitable giving that wealthy Muslims are required to pay after they reach a certain level of income known as nisab.

Zakat, an essential tenet of Islam, mandates that Muslims allocate a percentage of their money to support the less fortunate, aiming to foster social and economic equity within the society. Zakat institutions, created by governments, have a vital role in guaranteeing the efficiency of this religious and social welfare system by managing the collection and distribution of these money (Sawmar and Mohammed, 2021).

Zakat collecting is mandated by the Sharia law, the Quran, and Sunnah, as an obligatory duty for affluent Muslims towards the impoverished. In the Quran, Allah instructs believers to give a portion of their money as alms, with the intention of purifying and sanctifying themselves. Additionally, they are encouraged to pray on behalf of others. Indeed, your prayers provide a sense of protection for them. Allah is the One who listens and has knowledge. The verse referenced is from the Quran, specifically from Surah Al-Taubah, verse 103. Zakat is a crucial component of the Islamic economic system. Therefore, Zakat serves to redistribute income and wealth, playing a crucial role in alleviating poverty and contributing to both social welfare and economic sustainability. Zakat is intended to create a society in which all individuals are committed to social justice, fairness, and liberty (Ur Rehman et al, 2021). By acknowledging that one's money is bestowed by Allah (swt) and sharing a part of it with others, a Muslim cleanses the remaining riches from avarice and stinginess.

According to Saad et al (2023), Zakat may exhibit substantial differences compared to items under the regular tax system. Zakat is an intricate system because to its adherence to Sharia norms, requiring a comprehensive grasp of the specific origins of income and the handling of taxes (138). Zakat is a mandatory entitlement for those who are in need. It is gathered annually at the conclusion of each Hijri year in the Islamic calendar. This practice allows individuals to seek the compassion of Allah (swt), cleanse themselves and their wealth, and provide assistance to those within the community. Taxation is the mandatory payment made

to a government, which is determined by the assets of a tax base (Mikesell, 2003). Zakat is an important kind of taxation in the Muslim world, amid several other sorts of taxes (138).

The current body of research has introduced an zakat accountability as a first effort to comprehend and evaluate the efficacy of the accountability methods used by zakat organizations in managing the money (Saad et al., 2023). Zakat is acknowledged as a significant method for the advancement of a country, as it contributes to societal stability and cohesion, while also aiding in reducing the disparity between the affluent and the impoverished (Saad et al., 2023). Moreover, the allocation of zakat monies may stimulate economic activity by enhancing people's ability to buy goods and services, so contributing to the reduction of poverty (Saad et al., 2023).

HISTORICAL DEVELOPMENT OF ZAKAT IN SAUDI ARABIA

Islamic nations implement social solidarity programs by mandating the payment of Zakat from all Muslims. Zakat is a mandatory duty in accordance with Sharia law and is considered one of the fundamental principles of Islam. It gained its legitimacy, social, and economic significance following its first implementation in the second year of Hijra (migration). Subsequently, there was a noticeable decline in the gathering of Zakat throughout the course of Islamic history, to the point that it was almost disregarded (Elmaghrabi et al, 2020). Zakat received increased focus in Saudi Arabia during the period of the Kingdom's unification in 1932. A Royal Decree No. (178634/28/2/) was issued on 29/06/1370H (equivalent to 6 April 1951) to impose Zakat (GAZT, 2019). A certain level of taxes was enforced, although it was met with disapproval from Saudi inhabitants. Complaints were lodged and duly acknowledged by the government. Consequently, Saudis were granted an exemption from tax payment.

The General Authority for Zakat and Tax (GAZT) once had its headquarters in Jeddah, but subsequently relocated to Riyadh (Saad et al, 2023 and GAZT, 2019).

The population of Saudi Arabia is estimated to be over 34 million, with around 97 percent of the people identifying as Muslims. In 2019, Saudi Arabia's Gross National Income (GNI) per capita amounted to US\$22,850, indicating a growth of 5.79% compared to the previous year. Despite Saudi Arabia being a wealthy nation and projected to achieve the greatest Gross Domestic Product (GDP) of US\$745.00 billion by the end of 2020 compared to other affluent Islamic nations, the low Gross National Income (GNI) per capita suggests the presence of a relative poverty problem. Several non-Saudis are considered as Saudis when it comes to the collection of Zakat. In other words, persons who are engaged in pastoral activities in any of the other GCC nations, regardless of their gender, age, or legal status, and who do these activities inside the Kingdom of Saudi Arabia, are obligated to pay Zakat. Zakat is applicable on enterprises and finances that are registered in the Kingdom or any of the GCC countries.

Zakat is imposed on the capital and its returns, as well as on imports, earnings, and gains made by people and enterprises engaged in commerce, industry, personal business, or property ownership. This includes cash holdings of any kind, such as financial and commercial transactions and the sale of shares (GAZT, 2019). The Zakat basis encompasses several factors that influence its worth, beyond only revenues. Once the adjusted and acceptable profit from the GAZT has been determined, some aspects are included from the statement of financial

condition during the period when Zakat is payable, while deducting goods that are exempt from Zakat.

Zakat is collected from people via the "Zakat" site and application, and then distributed to all recipients of social security. Next, the amount is transferred to the Saudi Arabian Monetary Agency (SAMA), which serves as the central bank of Saudi Arabia. SAMA then transfers the cash to the Social Insurance Agency of the Ministry of Human Resource and Social Development (HRSD) for the purpose of distribution. The eligible recipients of Zakat include orphans, individuals unable to work, the elderly, unsupported families (such as widowers and orphans, divorced families with children, families of prisoners, abandoned families, families of missing individuals, families of drug addicts), and women without a supporter (such as widows, divorced women, abandoned women, wives of prisoners) (Saad et al, 2023).

Additionally, individuals over the age of 18 with unknown parents are also eligible to receive Zakat. (The Ministry of Human Resource and Social Development, 2020). Insurance recipients are determined based on certain criteria and restrictions outlined in the system and its executive requirements, including factors such as economic, social, and health status. Subsequently, every case is meticulously examined and authenticated using the automated search and field research method. HRSD exemplifies the principles of social cohesion among individuals in society and among worthy groups, as outlined in an established strategic partnership between the Ministry and GAZT. The HRSD budget for 2020 amounts to SR72,282,084,000. According to recent data, there were a total of 884,063 individuals receiving social security benefits. Among them, the biggest group of beneficiaries consisted of 537,066 females (Elmaghrabi et al, 2020). From this perspective, it can be inferred that Zakat plays a crucial role in fostering social well-being in Saudi Arabia, which in turn has a good impact on its economy.

TOOLS OF EFFECTIVENESS OF ZAKAT

Studies conducted in the last thirty years have examined the economic implications of zakat in several countries with a Muslim majority (Ur Rehman et al, 2021). In their study, Bakar and Abdghani (2011) contend that implementing a sustainable zakat distribution method may provide an improved quality of life for those who receive zakat. Prior research, such as the study conducted by Sawmar and Mohammed, (2021) argue that zakat monies serve as a kind of capital subsidy given to those facing extreme poverty, as a means of offering assistance and demonstrating solidarity. They moreover contend that zakat functions as a social insurance program that ensures a satisfactory quality of life and respect for Muslims.

A study conducted by Tajuddin and Takril (2023) argues that an efficiently structured zakat administration system may have a significant impact in addressing socioeconomic challenges such as poverty, unemployment, and self-development that are faced by Muslims worldwide.

In research undertaken by Tamizi et al (2021), an effort was made to assess the potential amounts of zakat that may be collected in various member nations of the Organization of Islamic Cooperation (OIC). The analysis reveals that in 3 OIC nations where the poverty threshold is defined as surviving on US\$1.25 per day, the ratio of zakat to GDP fared better than the ratio of the Poverty Gap Index to GDP. The analysis demonstrates that the current levels of zakat being collected in 17 OIC countries are sufficient to eliminate poverty within

those nations. According to a research conducted in Sudan (Bin-Nashwan et al, 2020), zakat education has had a role in reducing poverty in the nation.

IMPORTANCE OF EFFECTIVENESS OF ZAKAT INSTITUTION

Zakat, a kind of charitable giving, had a significant impact on the early history of Islam (Neifar and Aissa, 2023). It had significant success before the Crusades, when Western feudal lords conquered Muslim countries. Under the rule of the first Caliphs of Islam, namely Omar Ibn Khattab and Omar Bin Abdul Aziz, the practice of collecting and distributing zakat arose as an effective means of addressing poverty and economic inequality. However, zakat, an Islamic philosophy, fell out of favor and lost the enthusiasm to be continued throughout the medieval age. The resurgence of Zakat as a means to assist the impoverished occurred primarily with the establishment of Muslim nation-states (Alkahlout., 2023).

Although Islam promotes the concept of zakat as a means to relieve poverty, Muslim governments, in general, exhibit economic underdevelopment. Countries in Asia and Africa, where the bulk of the population is Muslim, have widespread poverty and lack sufficient food and resources (Sadallah and Abdul-Jabbar, 2022). Experts claim that the inadequate and inefficient administration of zakat is accountable for this unforeseen occurrence. According to Alkahlout (2023), generosity significantly enhances the welfare of families.

Similarly, Sadallah and Abdul-Jabbar (2022) contend that the efficient allocation of zakat to the appropriate recipients has a significant role in effectively reducing poverty. It is said that there exists a trade-off, both in the short-term and long-term, between zakat and the eradication of poverty. Alkahlout. (2023) performed empirical research in Qatar, finding that the distribution of zakat had a modest but positive effect on improving the overall level of consumption.

The significance of zakat in society may be effectively communicated via many means such as media, awareness campaigns, publicity, and so forth. They are also used to allocate the funds gathered towards improving the economic conditions of the most marginalized socioeconomic groups. There are several categories of NGOs, such as Islamic preaching groups, social and cultural associations, and philanthropic associations. Initially, it dispatches a group of experts to assess the requirements of the community. Subsequently, she dispatches urgent assistance to the victims. All of these actions serve to illustrate the significant function of zakat as a means of funding local development.

Nevertheless, the act of investing in zakat encounters many types of challenges: The primary limitation arises from the absence of measurable data about the enhanced worth of zakat organizations and funds. This lack of information hampers efforts to enhance the general public's awareness and understanding of zakat (Neifar and Aissa, 2023).

The lack of this data also hinders the ability to accurately quantify the significance of The second limitation arises from the circumstances in developing nations where the majority of NGOs, regardless of their charitable or non-charitable nature, encounter hindrances that restrict their effective and philanthropic endeavors. These obstacles include excessive administrative procedures, bureaucratic hurdles, legal restrictions, and certain Muslims who, due to their belief that paying taxes exempts them from paying zakaah, are reluctant to be subjected to dual taxation.

Consequently, the limited recognition of the economic and societal significance of zakat has led Muslims to see zakat only as a kind of charity unrelated to the contemporary economic framework. Consequently, zakat in several Muslim nations only makes a little contribution to economic development initiatives (Sadallah and Abdul-Jabbar, 2022).

CHALLENGES IN ZAKAT IN SAUDI ARABIA

The zakat structure in Saudi Arabia is theoretically grounded on the principles delineated in the Quran and the Sunnah. These principles prioritize the equitable allocation of resources to guarantee societal well-being and fairness.

This guarantees responsibility and clarity in the administration of zakat funds, in accordance with the overarching goals of fostering social well-being and fair allocation of wealth (Tajuddin and Takril, 2023).

Gaining a comprehensive comprehension of the theoretical foundations of zakat is crucial for formulating efficient accounting standards and procedures that adhere to Islamic principles and comply with the laws established by the Saudi government. Furthermore, it offers a comprehensive viewpoint on the socio-economic consequences of zakat, highlighting its importance in promoting a fairer and more egalitarian society in Saudi Arabia. (Hussein, 2022). Moreover, several opponents raise doubts over the extent to which zakat really fosters economic unity and reduces poverty within the Muslim community, given the challenges in quantifying and assessing the actual effects of zakat monies on poverty reduction and social welfare (Tajeldeen, 2023).

The principles delineated in the Quran and the Sunnah not only direct individuals in adhering to religious obligations but also provide a structure for the conscientious supervision of zakat collection, administration, and allocation by the government and regulatory bodies (Hussein, 2022).

Although real worries exist about possible market distortions and bureaucratic inefficiencies, it is crucial to recognize the Saudi government's attempts to improve zakat collecting and distribution operations. Recently, there have been efforts to strengthen governance structures, raise financial reporting requirements, and foster more responsibility in the administration of zakat monies. The purpose of these measures is to tackle the difficulties presented by the obligatory character of Zakat and guarantee that its execution is in line with wider economic aims and development goals.

TYPES OF EFFECTIVENESS OF ZAKAT INSTITUTION

There are four essential types as following statement;

i. Financial Effectiveness

Zakat, an essential component of Islamic finance, has been widely acknowledged as a vital tool for the equitable distribution of wealth and the promotion of social welfare. This study article seeks to investigate the financial efficacy of zakat institutions in tackling the issues of poverty, inequality, and economic progress in Muslim communities (Alam et al, 2021).

Zakat is widely acknowledged as a vital tool for the equitable distribution of wealth and the promotion of social welfare in the context of Islamic finance. The institution of zakat, an obligatory financial duty for Muslims, has the capacity to mitigate poverty and foster social cohesion by stimulating economic activity and enhancing the economic self-sufficiency of the Muslim community. The efficacy of zakat institutions is contingent upon various factors, including the expansion of existing zakat resources, the acquisition of zakat from both tangible and intangible assets, systematic management of zakat, efficient distribution of zakat, and the meticulous implementation of Islamic regulations (Saad et al, 2023)

The effectiveness of zakat institutions is contingent upon several factors, such as the expansion of zakat resources, the collection of zakat from both tangible and intangible assets,

the implementation of systematic zakat management, the efficient distribution of zakat, and the meticulous adherence to Islamic regulations (Alkahlout, 2023).

The zakat institution is generally recognized for its capacity to mitigate poverty and foster social cohesion. Zakat, being a compulsory financial duty for Muslims, plays a crucial role in providing governments and charity organizations with a significant source of funds to stimulate economic activity and enhance the financial self-sufficiency of the Muslim community (Razali et al., 2022). Nevertheless, the ability of zakat institutions to achieve their desired objectives is contingent upon several factors, such as the expansion of existing zakat resources, the acquisition of zakat from both physical and non-physical assets, organized administration of zakat, efficient allocation of zakat funds, and the meticulous enforcement of Islamic regulations. (Elmaghrabi et al, 2020).

ii. Customer Effectiveness

Zakat, an essential component of Islam, has been widely acknowledged as a method of reducing poverty and advancing social well-being (Alam et al., 2021). Surah At-Tauba 103 of the Quran highlights the significance of zakat, emphasizing its role in distributing the wealth of the affluent to fulfill the rights of the poor (Sadallah and Abdul-Jabbar, 2022).

Researchers have emphasized the capacity of zakat to boost economic activity and make a significant contribution to the growth of the nation (Saad et al., 2023). Zakat may contribute to the overall demand and is considered a significant factor in the computation of Gross Domestic Product (Neifar and Aissa, 2023).

Nevertheless, the key aspect is in the efficacy of zakat in catering to its clients, who are the beneficiaries. Zakat serves as more than just a means of consumption; it should be used as productive capital to empower the beneficiaries, allowing them to achieve self-sufficiency in the long run (Elmaghrabi et al, 2020).

iii. Internal Effectiveness

This analysis investigates the internal effectiveness of the Islamic philanthropic tradition known as Zakat. Zakat, an essential tenet of Islam, is the obligatory contribution of a proportion of one's income to provide assistance to those who are less fortunate. This investigation examines the tangible effects and results of this Islamic duty among Muslim communities (Ur Rehman et al, 2021).

Zakat has a crucial role in the Islamic financial system, as it contributes to social security, economic self-sufficiency, and the reduction of poverty (Saad et al., 2014). Efficient administration of Zakat is essential, since it encompasses not only the allocation of physical resources, but also the effective application of Zakat as productive capital to empower beneficiaries and mitigate future poverty (Tamizi et al., 2021).

The effectiveness of Zakat is determined by several factors, such as the increase in available Zakat resources, the thorough collection of Zakat from both tangible and intangible assets, the organized management of Zakat, the efficient distribution, and the meticulous adherence to Islamic regulations (Alkahlout, 2023). Zakat institutions have played a significant role in reducing the negative economic effects on the disadvantaged by improving their skills and changing their perspectives. However, some studies have pointed out deficiencies in the management of Zakat by certain organizations responsible for collecting it (Alkahlout, 2023).

iv. Growth Effectiveness

Zakat, a compulsory charity tax in Islamic finance, is generally acknowledged as a means of redistributing wealth and alleviating poverty (Tamizi et al., 2021). Previous research indicates that the efficient application of zakat may have substantial consequences for economic growth and development. Zakat has three specific connotations: linguistic, religious, and legal. Additionally, zakat is the act of removing dirt or impurities from something, while theologically, it symbolizes the spiritual purification that takes place via the contribution of zakat. Zakat has an economic objective of impacting several important factors such as overall consumption, savings and investment, labor and capital supply, and the eradication of poverty (Elmaghrabi et al., 2020).

Implementing a development-focused distribution of zakat may serve as a potent approach to address the issue of poverty (Bin-Nashwan et al., 2020). Since per Islamic beliefs, zakat is primarily intended for the destitute and impoverished individuals, since they are the major focus groups (Lubis et al., 2019). Zakat, as a means of transferring income from the wealthy to the poor, may have significant consequences for enhancing the economic productivity of the lower socioeconomic classes. This can lead to an increase in overall consumption, investment, and ultimately, job opportunities (Sadallah and Abdul-Jabbar, 2022).

FINDINGS

The findings discussion related to objectives of study:

1. To Investigate the Tools of Effectiveness of Zakat Institution of ZACTA.

The result shows that during the first implementation of Zakat, there was a lack of dedicated organizations responsible for overseeing the system and ensuring transparency. Consequently, The Ministry of finance proactively established a comprehensive framework to enforce the Zakat system. Therefore, a dedicated authority was formed inside the ministry to guarantee the issuing and collection of Zakat from trade and company owners. As a consequence, the ministry released Zakat executive rules, which included twenty items. The General Authority for Zakat and Income Tax (GAZT) was founded in 1951 with the main purpose of collecting trade Zakat from both Saudi Arabian nationals and resident residents of the Gulf Cooperation Council (GCC) nations. There are four essential tools. One of the most of effectiveness of zakat institution is financial effectiveness. The zakat institution, which is a compulsory financial duty for Muslims, has the capacity to mitigate poverty and foster social cohesion by stimulating economic activity and enhancing the economic self-reliance of the Muslim community.

An important factor to examine when evaluating the financial efficiency of zakat organizations is their capacity to establish zakat as a feasible fiscal policy instrument. Several Muslim-majority nations have chosen taxes as an alternative means of generating money. However, there is an increasing acknowledgment of the potential for zakat to be used as a tool for Islamic socially responsible financing. This might contribute to both economic growth and the reduction of poverty.

Moreover, customer effectiveness of zakat, a kind of Islamic philanthropy, in meeting the needs of recipients has been the focus of academic investigation Furthermore, the effective

administration of zakat may have ramifications for enhancing the economic efficiency of the lower socioeconomic groups, augmenting overall consumption, and fostering collective investment, finally resulting in heightened job opportunities.

This study analyzes the internal effectiveness of the Islamic practice of Zakat, which is the mandatory contribution of a part of one's income to assist the disadvantaged.

2. To Determine the Challenges of Effectiveness of Zakat Intuition of ZACTA.

The result shows that Zakat is both an obligatory religious practice and a mechanism for promoting economic cooperation and reducing poverty among Muslims.

In addition, the theoretical framework of zakat goes beyond individual adherence and includes the involvement of the state and regulatory bodies in supervising the gathering, allocation, and usage of zakat monies.

Critics argue that the state and regulatory agencies' management of zakat monies may result in inefficiencies, bureaucratic obstacles, and misallocation of funds, thereby impeding economic growth and development. They contend that using religious commitments as a means of redistributing income may not be the most effective or transparent approach to tackling social welfare and poverty eradication. Moreover, the absence of uniform accounting procedures and reporting obligations for zakat may give rise to concerns about financial transparency and governance.

The contrasting perspectives underscore the intricate and subtle discussions surrounding zakat accounting in Saudi Arabia, underscoring the need of a fair assessment of its practical consequences in conjunction with its theoretical underpinnings. When considering the criticisms, it is crucial to acknowledge that the theoretical foundation of zakat accounting not only encompasses religious and cultural concepts but also strongly aligns with the socio-economic values of Saudi Arabia. The historical practice of zakat has been crucial in promoting social solidarity and reducing economic inequalities within the Muslim community. It functions as a means of distributing resources to assist the underprivileged and disadvantaged sectors of society, therefore promoting the general well-being of the community.

Furthermore, the theoretical foundations of zakat accounting emphasize the significance of ethical concerns and moral responsibilities in financial transactions. The ethical aspect of zakat highlights the need of being transparent, accountable, and ensuring fair distribution of resources.

SUMMARY

This study aims to investigate the theoretical framework of effectiveness of zakat intuition in Zakat, Custom and Tax in Saudi Arabia: tools and Challenges. The study followed quantitative research method approach to investigate the theoretical framework of effectiveness of zakat intuition in Zakat, Custom and Tax in Saudi Arabia: tools and Challenges. The result shows the theoretical foundation of zakat accounting in Saudi Arabia is based on religious and cultural considerations. However, there are apprehensions about the execution and influence of zakat on the economy. Detractors contend that the obligatory character of Zakat might potentially have unforeseen repercussions on economic conduct and financial markets. They express worries on the possible distortion of market incentives and the inefficient use of resources

resulting from the compulsory transfer of wealth via zakat. The investigation examines the tangible effects and results of this religious obligation among Muslim communities.

Efficient and effective administration of zakat may enhance economic development, enhance the buying power of the poor, and eventually result in increased demand for products. This study recommends that the Zakat, Tax and Customs Authority (ZATCA) in Saudi Arabia has a vital role in the economic progress and financial stability of the country. Zakat, an essential component of Islamic finance, serves as a substantial income stream for the government and plays a crucial role in redistributing wealth and alleviating poverty.

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