

Corporate Governance, Transparency and Accountability in the Management of Zakat Funds

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Abstract

Zakat is one of the five pillars of Islam. It is one of the institutions in Islam aimed at ensuring equitable distribution of wealth among members of the ' Ummah so that, as Allah says, wealth may not be confined to the wealthy ones alone. The institution is a unique one as it has no equal or parallel in any other system and or civilization. Thus, there is need for authorities in the Muslim communities and or nations to go extra miles to ensure effective collection and appropriate disbursement of it. The remarkable feat attained by ' Umar II (RA) to alleviate or check poverty in his own time with effective collection and appropriate disbursement of Zakat is a unique achievement in human history begging for scientific cum historical enquiry. Hence, in our efforts to employ the same institution to solve the problem of poverty in this ' Ummah of ours in particular and among humanity in general, appropriate mechanism, processes and procedures as well as facilities to ensure its workability should be put in place. This is exactly what this paper strives to achieve in order to realize the set objectives of The International Zakat Organization (IZO). It therefore proposes corporate governance as a potent to ensure effective collection and appropriate disbursement of Zakat by way of ensuring responsibility, accountability and transparency in the handling of its funds.

1.0 Introduction

The principle of *Shurah* (Consultation) enunciated in the Qur'an and practiced by the Prophet and those of his *shahabah* for addressing issues of public interest in particular and those that affect individuals in general is to ensure that proper decisions are taken in the interest of the general public and individuals concerned. Besides, it guarantees functionality of the decision not only because the best opinion is going to be taken but equally because every stakeholder is carried along in the decision and policy making process. It thus facilitates a sense of belonging and patriotism or loyalty. It also ensures transparency, responsibility, accountability and workability of the whole process which form the watch words of the IZO. The whole idea of corporate governance is not far from this. This is equally one of the basic elements of *Maqasid al-Shar'iah*-the higher objectives of Islamic Law-which are going to be addressed in the forthcoming paragraphs. Effort is geared towards proper understanding of the subject matter of this paper hence the definitions given to the technical terms used. We then proceed to examine corporate governance in the management of *Zakat*, with particular reference to the form it should take bearing in mind the mandate of International Zakat Organization (IZO). Attempt is also made to study *Maqasid al-Shari'ah* with a view to situate the need for corporate governance in the management of *Zakat* funds in the scheme of Islamic way of life under the purview of *Shari'ah*-the Islamic law. *Zakat* management and the concept of transparency is also looked into in order to ensure accountability borne out of sense of responsibility in the collection and disbursement of *Zakat* proceeds. A brief summary of the findings or rather the work is made while conclusion is given and policy recommendations are finally made.

2.0 Conceptual Framework

Some of the technical terms used in this paper are hereunder given both literal and technical/working definitions for the proper understanding of its main focus.

2.1 Shari'ah is an Arabic word (a noun) denoting a pathway leading to a watering place¹. It technically or rather in Islamic parlance refers to a path or way (of life) ordained by Allah for His obedient servants whose faith in Him are assured in order to live comfortably here in this world and ensure salvation of their souls in the hereafter. It is as observed by Adeyemo and Mobolaji (2010)², a magna corpus, that is, a body of Islamic rules meant to guide the Muslims in all ramifications of their affairs. It is the organizing principle or rather mechanism of Islam for realizing the comprehensive way of life vouchsafe to man by Allah in order to attain *falah* (bliss) in both worlds, that is, here and in the hereafter. Attempt is made in this paper to come up with *Shari' ah* compliant corporate governance system for the collection and disbursement of *Zakat* in order to realize its set objectives with particular reference to IZO.

2.2 Maqasid Al-Shari'ah on the other hand means the higher objectives of the Islamic law. A cursory look is therefore taken at the fundamental elements of the Higher Objectives of *Shari' ah* as espoused by Muslim scholars in order to see the need-of course within the ambit of *Shari' ah*-for corporate governance in the administration of *Zakat* proceeds. According to Abu Hamid Al-Ghazali, *'the very objective of the Shari' ah is to promote the welfare of people, which lies in safeguarding their faith (hifz al-din), their life (hifz al-nafs), their intellect (hifz al-haql), their posterity (hifz al-nasl) and their wealth (hifz al-mal)*³. *Whatever ensures the safeguarding of these five serves public interest and it is desirable and whatever obstructs their realization is evil and its removal is commendable and desirable.'* Imam As-Shatibi on the other hand observes that *' the primary goal of Shari' ah is to free man from the grip of his own whims, caprices and fancies, so that he may be true servant of Allah by choice, just as he is one without it.'*⁴

Tahir Ibn Ashur gives a comprehensive definition of *Maqasid Al-Shari' ah* thus:

The all-purpose principle (Maqasid ' Amm) of Islamic legislation is to preserve the social order or the community and insure its healthy progress by promoting the well-being and righteousness (salah) of the human specie. The well-being and

*virtue of human beings consists of the soundness of their intellects and the righteousness of their deeds, as well as goodness of the things of the world where they live that are put at their disposal*⁵. To Ibn Al-Qayyim, *Shari'ah* is based on wisdom and achieving people's welfare in this life and afterlife. *Shari'ah* is all about justice, mercy, wisdom, and good. Thus, any ruling that replaces justice with injustice, mercy with its opposite, common good with mischief, or wisdom with nonsense, is a ruling that does not belong to *Shari'ah* even if it is claimed to be so according to some interpretations⁶. It is clear from definitions given above that the higher objectives of *Shari'ah* otherwise called *Maqasid Al-Shari'ah* is all about ensuring the welfare or well-being of man collectively and individually, which, in modern economic parlance is referred to as stakeholders approach to corporate governance. Thus, this paper argues that more than every other theory, the stakeholders' theory is the closest to and most *Shari'ah* compliant owing to a number of reasons to be addressed later.

2.3 Responsibility is defined by the *Advance Learners' Dictionary of Contemporary English*⁷ as 'a duty to deal with or take care of somebody or something, that you may be blamed if something goes wrong or a duty to help or take care of somebody because of your job, position, etc.

*'On the Day when every soul will be confronted with all the good it has done, and all the evil it has done, it will wish there were a great distance between it and its evil. But God cautions you (to remember) Himself. And God is full of kindness to those that serve Him*⁸.

*Prophet Muhammad was reported to have said: There is no person to whom Allah has given people to take care of and he fails to take care of them properly but will not smell the fragrance of Paradise*⁹.

Therefore, responsibility for the purpose of this work is that man is the creation of the highest honour and responsibility who is going to be held accountable.

*I have only created Jinns and men, that they may serve Me*¹⁰.

So, despite his position among the rest of the creatures of Allah he may still be reduced to the lowest of the low if he fails in his responsibility as the vicegerent of his Lord and Creator. Allah states:

By the Fig and the Olive, and the Mount of Sinai, and this City of Security-We have indeed created man in the best of moulds, then do We abase him (to be) the lowest of the low-except such as believe and do righteous deeds: for they shall have a reward unfailing. Then what can, after this, contradict thee, as to the Judgment (to come)? Is Allah not the wisest of Judges?¹¹

Narrated Shaddad bn Aus, Allah' s Messenger says: A wise man is the one who calls himself to account and refrain from evil and does noble deeds to benefit him after death; the foolish person is the one who subdues himself to his temptations and desires and seeks from Allah the fulfillment of his vein desires.(Tirmidhiy)

2.4 Accountability is said to be responsible for ones decisions, actions and inaction with expectation to explain them when one is asked about them¹².

Allah says:

'And say: Work (righteousness): soon will Allah observe your work, and His Messenger, and the believers: soon will ye be brought back to the Knower of what is hidden and what is open: then will He show you the truth of all that you did¹³.'

' Every soul shall be (held) in pledge [accountable] for its deeds¹⁴.'

Thus, for the purpose of this paper, accountability means the idea or the process of being held responsible for ones actions and failure to act where and when necessary, utterances, writings, ideas and thoughts etc. Hence or therefore, our purpose in this connection is to study who are to be held accountable for the effective collection and disbursement of *Zakat* or otherwise.

2.5 Transparency on the other hand could literarily be defined as a picture printed on a piece of photographic film, usually in a frame, that can be shown on a screen by shining light through the film, the quality of something, such as glass, that allows you to see through it, the quality of something, such as an excuse or a lie, that allows somebody to see the truth easily and finally, the quality of something, such as a situation or an argument, that makes it easy to understand¹⁵. Allah says:

'By (the Token of) Time (through the ages), verily man is in loss, except such as have *faith*, and *do righteous deeds*, and (*join together*) *in the mutual teaching of Truth*, and of *patience* and *constancy*¹⁶.'

'*And say: Work (righteousness): soon will Allah observe your work, and His Messenger, and the believers: soon will ye be brought back to the Knower of what is hidden and what is open: then will He show you the truth of all that you did*^{16b}.'

Transparency for our purpose and based on the quotation made above, is a habit of openness that makes actions and inactions, utterances, events, situations and ideas clear to others without being investigated¹⁷.

2.6 Zakat literally is an Arabic verbal noun meaning to grow, purify, foster, blossom, to thrive etc. It is however, technically the annual compulsory tax imposed by Islam nay, by Allah on the rich members of the Muslim ' *Ummah* whose wealth is of the prescribed *nisab* or above it for the upkeep of the poor or the indigent members of the society, the wayfarers, the orphans, insolvent debtors, etc as mentioned by Allah in the Qur' an.

*Alms are for the poor and the needy, and those employed to administer the funds; for those whose hearts have been recently reconciled to the truth; for those in bondage and in debt; in the cause of Allah; and for the wayfarer: thus is it ordained by Allah, and Allah is full of knowledge and wisdom*¹⁸.

*Of their goods take alms, so that you might purify and sanctify them; and pray on their behalf, verily thy prayers are a source of security for them: and Allah is One Who hears and knows*¹⁹.

*Believe in Allah and His Messenger, and spend (in charity) out of the (substance) whereof He has made you heirs. For those of you who believe and spend (in charity)-for them is a great reward*²⁰.

It has to be mentioned here no matter how brief, that the religion of Islam is Divine just like the Qur' an its Scripture but the application and interpretation of them is human and hence the need for the corporate governance in the collection and distribution of *Zakat* in order to ensure effective and corruption free collection and distribution of the funds.

2.7 Corporate Governance has been defined differently by various scholars based on their orientation and perhaps their peculiar environment. We shall

state and examine some of these definitions briefly owing to shortage of time and space. Gabrielle O' Donoran in his *A Board Culture of Corporate Governance* defines corporate governance as an internal system encompassing policies, processes and people, which serve the needs of the shareholders by directing and controlling management activities with good business savvy, objectives, accountability and integrity. Corporate governance is also considered as a set of processes, customs, policies, laws, and institutions affecting the way a corporation (or any firm or company) is directed, administered or controlled. It is also said to include the interactions between and among the several stakeholder involved and the goals for which the corporation is administered. The principal stakeholders are the shareholders, management, and the board of directors. Others include the employees, customers, creditors, suppliers, regulators and the local community at large. As could be seen, corporate governance is a multi-dimensional issue. A very vital aspect of it being assurance of the responsibility, and in turn, the accountability of certain individuals in an organization through certain processes, facilities and mechanisms aimed at reducing or getting rid completely principal-agent bottle neck. All these, in order to ensure the welfare of the stakeholders particularly the shareholders, this is what some scholars referred to as economic efficiency. Chief Executive Officer (CEO), members of the Board of Directors, Management and other stakeholders and auditors as well as Company Secretary are charged with the major responsibilities of achieving this feat. It could therefore be said that there is collective and personal *falah* (bliss). While collective bliss is a *sine qua non* for the attainment of individual/personal bliss, there should be concerted and or collective efforts to assist individuals to attain it. This is because part of the nature (*fitra*) of man is to be social as he relates with others as son or daughter, brother or sister, father or mother, uncle or auntie, neighbours etc. In fact, Islam teaches universal brotherhood of mankind such that everybody is a brother or a sister to a Muslim either in faith or humanity which may be based on blood, race, nationality etc. Allah says:

O ye who believe! We created you from a single (pair) of a male and a female, and made you into nations and tribes, that you may know each other (not that you may despise each other). Verily the most honoured of you in the Sight of Allah is (he who is) the most righteous of you. And Allah has full knowledge. And He is well acquainted (with all things)¹. ' *Help you one another in righteousness and piety, but help you not one another in sin and rancor: fear Allah: for Allah is strict in punishment.*²¹'

The major (key) elements in Corporate Governance are honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect and commitment to the organizational objectives. The following among others are some of the mechanism used for control: monitoring/supervision by the Board of Directors, internal control procedures and internal auditors, Balance of power, remuneration and motivation, promotion and rewards for excellent performance. External means of control include but not limited to the following: Government regulations, media pressure, external auditors, managerial labour market as well as competition. Observed Zamir Iqbal and Abbas Mirakhor²², ' corporate governance is diverse and, over the period of time, definition of the term ' corporate governance' has oscillated between two extremes- from a narrow concept of mechanism of implementing investors' interest to a broad concept advocating protection of all internal and external stakeholders' rights. They argued further, ' this wide spectrum of concept stems out of two divergent views: (a) how the entity of a ' firm' should be perceived in an economic system, and (b) the form of the incentive system to protect rights and to preserve the obligations of economic agents in the environment in which the firm operates. They assert that ones perspective of firm will influence the way in which the evolution of conceptualization of corporate governance is analyzed. While to some, it is considered as a bundle of assets and liabilities, a legal entity, an economic or social organization, it is considered by others as a nexus-of-contracts and yet by some others as a combination of all these elements all of which as they opine exert great influence on ones idea of corporate governance²³. It is noted that

two fundamental concepts of Islamic economic system pertaining to property rights and contracts govern the economic and social behavior of individuals, society and state. These two principles also dictate objective function of economic agents, including legal entities like firms. A firm in Islamic economic system can be viewed as 'nexus-of-contracts' whose objective is to minimize transaction cost to maximize profits and returns to investors subject to constraints that these objectives do interact with the firm directly or indirectly. The implicit and explicit contract should be catered for in order to maintain the social order and the health of the society. Islam's recognition and protection of rights is not limited to human beings only but encompasses all forms of life as well as environment in order to sustain or rather maintain the equilibrium with which the ecosystem or the universe is created. Property according to the teachings of Islam is not an end in itself but a means to an end, that is, of assisting man to fulfill his contract /responsibility of Allah's vicegerent both collectively and individually. One can therefore conclude as suggested by Iqbal Zamir and Mirakhor Abbas²⁴ based on the foregoing discussion that (1) Islam's concept of property rights is different such that the individual has a delegated right on the property whose acquisition, usage and disposal are subject to rules including the principle of sharing as dictated by *Shari' ah*. (2) Whereas Islam strongly recognizes individual private property rights, these rights are governed by rules designed to protect the rights of the society and the state. (3) By virtue of the first and second axioms of property rights, every individual, group, community, society and state becomes a stakeholder whose rights are granted, guaranteed and preserved by *Shari' ah* to promote social order and economic development. (4) Whereas it is difficult to recognize or justify some rights of others in a formal economic theory in the conventional system without drawing any reference to ethics and morality, such problem does not exist in Islam where every ones rights are recognized and protected by Law (*Shari' ah*). Finally, inclusion (or exclusion) and recognition (or denial) of rights of stakeholders in Islamic economic system are based on morality alone but are derived

from principles aimed at creating a just and balanced economic and social system. In the recent times, corporate governance had greatly attracted the public interest owing to its observable significance for the health of the economic sector and the society as a whole. Observes Abdul Rahman²⁵, 'it has been emphasized in the literature that good corporate governance helps to maintain overall market confidence, renew the countries' industrial bases, attract long term investment capital, sustain economic growth and ultimately enhances nations over wealth and welfare. Williamson (1998, 1996:2) states that 'the study of governance is concerned with 'the identification, explication and mitigation of all forms of contractual hazards.' According to Cadbury (UK) 1992 Report²⁶ governance is 'the system by which companies are directed and controlled. However, the OECD Principles of Corporate Governance gives a broader perspective or idea of corporate governance, it states:

'Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders, and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs.'

By doing this, it also provides the structure through which the company objectives are set, the means of attaining those objectives and monitoring performance. Protection of rights of shareholders, equitable treatment of shareholders and stakeholders, disclosure of profits and loss, transparency and effective functioning of the board of directors are the major objectives of corporate governance.

The Malaysian High Level Finance Committee on Corporate Governance (Finance Committee 1999:52) defines corporate governance as, 'the process and structure used to direct and manage the [a] business and affairs of the [a] company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term

shareholders value, whilst taking into account the interests of other stakeholders®'

Thus, the main objective of corporate governance as could be seen from the foregoing definitions are to ensure prosperity through transparency, accountability, effective use and management of resources, appropriate checks and balances in the management procedure, prudence and probity which in effect brings about trust from all the stakeholders including the shareholders themselves. Allah says:

To those weak of understanding make not over your property, which Allah hath made a means of support for you, but feed and clothe them therewith, and speak to them words of kindness and justice²⁷.

Gatamah (2004)²⁸ asserts that corporate governance is concerned with the social political and legal environment in which the [a] corporation operates, the systems, practices and procedures-the formal and informal rules-that govern the [a] corporation.

It could therefore be asserted without fear of self contradiction that the very essence and or quintessence of corporate governance as earlier observed are transparency, integrity, morality, trust, justice, responsibility and accountability. The following are the major theories of corporate governance which as earlier stated had greatly informed the varied definitions given in the preceding paragraphs: agency theory, transaction cost, stakeholder theory, stewardship theory and managerial hegemony theory. The essence of corporate governance as observed above is further corroborated by the following hadith:

Narrated Abu Hurayrah (R.A), Allah' s Messenger says: Allah looks not at your figures, nor at your outward appearance but He looks at your hearts and deeds.
(Muslim)

Corporate governance observed Mansoor M. Javed (2010)²⁹ is the accepted process by which corporate entities should be governed so that all stakeholders will benefit as a whole. Demb and Neubaner³⁰ define it as the process by which corporations are made responsive to the rights and wishes of stakeholders. The World Bank Report ' Risk Analysis for Islamic

Banks' states: 'while Islamic scholars argue that Islamic corporate governance induces ethical behavior and is immune to the flaws of conventional banking, Islamic banks and banking are no less prone than conventional banks to suffer breaches fiduciary responsibility or the consequences of asymmetric information.' This observation therefore suggests the need for corporate governance in IFI. To Iqbal and Mirakhor corporate governance in Islamic finance entails implementation of a rule based incentive system that preserves social justice and order among all members of the society. The board of Islamic Finance Institution must be ever observant to ensure that there is no erosion of public trust in Islamic financing and banking, and in this case, *zakah* administration, for, that can cause grievous harm to the effective functioning of it. Since the operators of IFI (including *Zakat*) are equally human beings and since they operate in somewhat the same environment with their counterparts in the conventional system notwithstanding being religious, they are equally prone to ineptitude conducts, there is need therefore, to put necessary facilities on ground to check such unwholesome situation. The Prophet says: "If the son of Adam (human being) has two valleys of wealth, he would wish for a third, for nothing can fill the belly of Adam's son except dust, and Allah forgives him who (repents onto Him)-begs for His pardon."³¹

According to Freeman (1994) stakeholder is any group or individual that affect or is affected by the achievement of a corporation's purpose. Corporate Social Responsibility (CSR) of an organization is its commitment to operate in an economically, socially and environmentally sustainable manner while organizing the interests of its stakeholders (Amaeshi, 2010)³². This is aimed at sustainable wealth creation and management and job creation via the establishment of financially sound corporations and businesses. Finally, Allah is the absolute stakeholder as suggested by Key (1999) and further corroborated by Javed (2010). According to Key, 'God is one of the stakeholders and thus some portions of corporate profits should be distributed to the poor at the end of each year.' From the position

expressed by Key one is tempted to believe that he is suggesting corporate *Zakat* to be paid by corporate bodies from their corporate profits.

3.0 Corporate Governance in the Management of Zakat Funds

Zakat is one of the means by which Islam ensures even and equitable distribution of wealth so that as Allah says wealth may not be confined to the wealthy members of society alone. It facilitates the economic well-being of the masses and establishes universal brotherhood of mankind in the practical sense of the word. It also ensures justice and individual freedom within the purview of social welfare and collective *falah* or bliss envisaged by Islam for the Muslim ' *Ummah*. It brings about social cohesion, love, care and affection and by and large guarantees peace and tranquility. All these benefits may not be realized until and unless the necessary facilities, provisions, mechanism and procedure are made for the effective collection and distribution of the funds. Hence, we argue that corporate governance based on stakeholder perspective should be adopted in order to ensure that these benefits are enjoyed by the ' *Ummah*. The Apostle of Allah was reported to have said that the more we are, the lesser the influence of Satan. We have given reasons why stakeholders' approach is *Shari' ah* compliant in the foregoing paragraphs. Unlike the situation in the west as observed Weeramantry, the concept of human rights in Islam rests upon a foundation theoretically different from traditional western one in at least two fundamental ways. In the west, human rights were fought for and extracted from those in authority through a bitter series of tussles by man against man. These were hard-won secular rights and are naturally greatly prized. They represent a remarkable advance upon the pre-existing situation where even such fundamental rights as the right to life were denied. In Islam however, he posit further, one does not view the problem against such a secular setting. The problem is not how man asserts his rights against man but how man discharges his duties towards God. It is not pre-occupied with the horizontal relationship of man with his fellow man but with the vertical relationship that subsists between each man and his Master. If

vertical relationship is properly tended, all human rights problems fall automatically into place³³.

Simply put, if all men are obedient to God nobody's right shall be trampled upon. So, as could be observed from the explanations given above, the Prophet and after him the Amir or the leaders of the Muslim ' *Ummah* are responsible and accountable along with those other persons they might delegate and the workers who are employed for the service of *Zakat*. It should be noted as earlier stated that the entire Muslim populace, particularly *Zakat* payers and beneficiaries constitutes the stakeholders. While it is *fard ' ain* for the Amir or the leader of a Muslim nation as well as those he may delegate and the appointed workers to ensure effective collection and appropriate distribution of *Zakat* in their domain or jurisdiction, it is *fard Kifayah* for the rest members of the society. Therefore, in a situation whereby the leader delegates someone to co-ordinate collection and disbursement of *Zakat* he should ensure that the right things are done as he reserves the right to hire and fire any errant officer. Persons to be delegated should be God fearing, knowledgeable, of proven integrity and transparent honesty, agile and be of good human relations. The Apostle of Allah says:

There is no person to whom Allah has given people to take care of and fails to take care of them properly but will not smell the fragrance of Paradise. (Narrated by Al-Bukhari 6731, Muslim 142)

4.0 Maqasid al-Shari'ah and the Objectives of Corporate Governance

We have seen from the definition of *Shari' ah* and its objectives enumerated by the classical/traditional Muslim scholars that stakeholders' approach to corporate governance is *Shari' ah* compliant. It is apparent that whatever could facilitate the realization of man's purpose on earth so long as they do not contravene the provisions of *Shari' ah* and are borne out good motives rather than capricious ones is agreed to be okay. The clear indication for this could be inferred from *usuli* maxim such as: ' Acts are judged according to intention.' ' Where there is definitive text, there is no room for

interpretation' , and *fiqhi* dictums like: ' Necessity renders prohibited things permissible' . Since corporate governance is aimed at ensuring effective collection and distribution of *Zakat* and get rid of or prevent abuse and or corruption it is still within the framework *Maqasid al-Shari' ah* as enunciated by Al-Ghazali, Al-Shatibi, Ibn Ashur, Ibn Qayyim and host of other prominent scholars to which reference had been made earlier.

5.0 Zakat Funds Management and the Concept of Transparency

Once the Prophet sent a companion to go and collect *Zakat* on his behalf he came back and delivered them to Prophet and said to him, ' *this is the Zakat and this is the gift they gave me.*' The Prophet told him to drop them altogether and that were he to stay in his father' s house no gift could have come to him. From the instance quoted above, one can deduce the following: 1) That public officers should not accept gift whatsoever for it may in some instances amount to bribe, 2) That the companion reposed trust in the Prophet much as the Prophet did in him, I mean, there was mutual resprocative trust between them, 3) That there is mutual transparency between the two of them, 4) That *Zakat* workers are to be remunerated for their service, 5) That provision should be made for their running around and finally, 6) That there should be proper monitoring and effective co-ordination (if we like, check and balances) to ensure that public officers are doing their jobs to their specifications. Once ' Umar (RA) was wearing a dress made out of the cloth he shared from booty, another companion accosted him and asked him to explain how is garment was so long given the fact that nobody' s share was as large enough to make such dress. ' Umar (RA) responded by asking Abdullah his son to answer the question to which he responded saying: our individual share was not enough to make dress for each one of us, so I made over my own to my father which he used with his own to make this dress. Although, the companion did not doubt the sincerity as well as sense of justice of ' Umar but he wanted to clear his conscience and re-establish and re-affirm the high sense of responsibility of this glittering example for the contemporary

generation of Muslims and those yet to come in order to draw inspiration from it. The following hadith is relevant in this regards:

Narrated Abdullah Ibn Mas' ud, the Prophet (saw) says: Truth leads to piety and piety leads to Paradise. A man persists in speaking the truth till he is enrolled with Allah as a truthful man. Falsehood leads to vice and vice leads to Fire (Hell), and a person goes on telling lie till with Allah he is enrolled as a liar. (Bukhari and Muslim)

6.0 Responsibility/Accountability in Zakat Collection and Disbursement

Every man is a *Khalifah*, that is, a vicegerent of God on earth over which he is responsible and accountable. He is therefore responsible to Allah hence the need for man to be obedient servant of his Lord. If however, he fails to heed the instructions of Allah; life will be miserable not only for him but for every other things in his environment as this is nothing other than working against his *fitra* (nature). Man is endowed with free will, that is, the ability to make choice, to follow or jettison the dictate of his Master³⁴ and hence he is endowed with the chance to either make or mar his life. Allah is so caring that He sent one hundred and twenty four thousands Prophet so much so that no single nation, according to *hadith* of the Prophet does not have a fair share of Prophethood. This is done in order that he may be guided to the right course of action rather than having to go (grope) in darkness. He is therefore accountable over his responsibilities to Allah, to himself particularly that of taking care of his body and soul, relations, neighbors and the society as a whole.

But whosoever turns away from My Message, verily for him is a life narrowed down, and We shall raise him up blind on the Day of Judgment. He will say: ' O my Lord! Why has Thou raised me up blind, while I had sight (before)?' Allah will say: ' Thus did thou, when Our Signs came unto thee, disregard them: so will thou, this day, be disregarded³⁵.

Allah is the true owner of everything including man himself and so whatever he purportedly has, whatever position he occupies, knowledge

and authority he has are held in trust for Allah who is the Real owner of it and to Whom is going to be the ultimate return of all. Allah says:

Say: ' O Allah! Lord of Power (and Rule), Thou gives Power to whom Thou pleases, and Thou stripes off Power from whom Thou pleases: Thou endues with honour whom Thou pleases, and Thou brings low whom Thou pleases: in Thy Hands is all good. Verily, over all things Thou Has Power³⁶.

Suffice to say that, since man is not the architect of his life and since he was created for certain purpose he should therefore be responsible for his actions and inactions as well as thoughts. The position of *Khalifah* conferred on him among the comity of creatures of God which gives him an edge or a degree over all other creatures is an *amana* (a trust) for which he is responsible and therefore accountable.

We did indeed offer the trust to the Heavens and the Earth and the Mountains; but they refused to undertake it, being afraid thereof: but man undertook it-he was indeed unjust and foolish-(with the result) that Allah has to punish the hypocrites, men and women, and the unbelievers, men and women, and Allah turns in mercy to the believers, men and women: for Allah is Oft-Forgiving, Most Merciful³⁷.

From the above quote, it is clear that man is under a primary trust and responsibility, yet as a result of his rashness and inordinate ambitions; he, some of the time and by circumstance in certain other time accepts additional and special responsibilities and in most cases fails to deliver the trust. It was ' Umar' s understanding of this enormous responsibilities that would not allow him to sleep while his subjects were fast asleep. It must be stated here even if briefly, that AbuBakr (R.A.) had to wage war against those who refused to pay *Zakat* after the demise of the Apostle of Allah. The Prophet was reported to have said: 'Take account of yourself before you are called to account and weigh your deeds before it is weighed for you.' God (Allah), observes Fazlur- Rahman, is the transcendent anchoring point of attributes such as life, creativity, mercy, and justice (including retribution) and of moral values to which a human society must be subjected if it is to survive and prosper- a ceaseless struggle for the cause of good. This constant struggle is the

keynote of man' s normative existence and constitutes the service (ibadah) to God with which the Qur' an squarely and inexorably charges him. But the substantive or the constitute teaching of the prophet and the Qur' an is undoubtedly for action in this world, since it provides guidance for man concerning his behaviour on earth in relation to other men. God exists in the mind of the believers to regulate his behaviour if he is religiously experienced, but that which is to be regulated is the essence of the matter³⁸.

Asserts Abdalati: "Like social and economic life, the political life of Islam is based on sound spiritual and moral foundations, and is guided by the Divine instructions. The political system of Islam is unique in its structure, its function, and its purpose. It is not pragmatic or instrumentalistic. It is not theocracy whereby a certain class of people assumes divine rights, hereditary or otherwise, and poses, above other citizens, beyond accountability. Nor is it a proletariat whereby some revengeful labourers capture power. It is not even democracy in its popular sense. It is something different from all that. To appreciate the political outlook of Islam one has to know that it is based on certain principles³⁹.

Therefore, to Kamil Siddiqui, "Men do not find leadership roles but leadership roles discover men." He asserts further, "The Islamic movement usually seeks out the most humble among the faithful for its most critical areas of performance. In the Islamic state or the Islamic movement men who perform leadership roles do not have a constituency of traders, feudal lords, labourers, or intellectuals; they do not owe their rise to a group that then demands reward and patronage. These are the common everyday concerns of the political process in the western political system of the neo-jahiliyyah⁴⁰.

7.0 International Zakat Organization (IZO) and Corporate Governance of Zakat

Going by the blue print or the working paper of International Zakat Organization (IZO) issued in July 2008, the objective, mission and vision as well as the means to achieve them are clearly stated all of which could not be realized except via corporate governance given the gravity of responsibility and coverage. For example, it is stated that the main focus of

the organization is to transform the Ummah from poverty to economic independence via its Zakat services in an unprecedented scale. It among others aims at eradicating poverty, ensure provision of quality education, effective health care delivery, provide employment opportunities for the teeming population of the Ummah, ensure equitable distribution of wealth through effective collection and distribution of Zakat, taking care of the welfare of orphans, widows, the aged and the physically challenged people. It also aims at creating social consciousness to drive enterprises in line with its balance principles of transparency, trustworthiness, profit oriented and social returns and creativity channeled towards independence of the Muslim Ummah. It is therefore clear that corporate governance is a *sin qua non* for the achievement of these set objectives. We therefore suggest based on the mission, vision and aims and objectives of IZO that there should be an international secretariat, regional headquarters and national head offices in each country including those in which Muslims are minority. By so doing, IZO will be able to realize its objective effective in no distant future.

8.0 Summary and Conclusion

This paper examines the concept of corporate governance together with several theories associated with. It was discovered that although, the name sound modern but it is as old as Islam itself. The idea or the concept of corporate governance in Islam, as we discovered is fundamentally different from that of the west. From the concept of human rights as a whole to the right of property ownership; there are marked differences between the approaches which eventually informed the differences between two governance systems. These differences are well articulated by Weeramantry as also presented by Iqbal and Mirakhor which could be seen from quotation made from their works. This is further corroborated by the higher objectives of *Shari' ah* as espoused by the Muslim scholars. The paper concludes that in this contemporary materialistic world, there is need to adopt corporate governance for the administration of *Zakat* so as to ensure effective collection and appropriate disbursement of it. Apart from

being knowledgeable, other qualifications to be possessed by *Zakat* workers were enumerated. The list is, of course, not exhaustive, they are just the major ones to be considered. It is common place nowadays among Muslims that when a person is entrusted with certain issue/s we do not give him helping hand to succeed, I mean in the Islamic sense of it, not by assisting him physically in his task; but by way of advice and constituting ourselves into watchdog to ensure that right things are done in the larger interest of the society and ultimately in the overall interest of the concerned person. Instances abound, whether in the time of the Prophet or those of his companions where people raise question not to demean the leader but to make sure that the will of Allah is done. It is the practice of the Prophet to always consult his people and it was ' Umar (R.A.) who first established public complaint commission in the long history of man. It is hope that in no distant future IZO, if given the needed support will be able to solve so many problems ravaging the Ummah today.

Policy Recommendations

Based on the findings availed by this study, the following recommendations are hereby made:

- That global headquarters situated in Kuala Lumpur should oversee and coordinate regional offices worldwide
- That each of the continent should constitute a region
- That each region should have its regional office with her staff
- That regional office should coordinate the national offices within her jurisdiction
- That national office should create and oversee/coordinate other offices such as state/provincial offices
- There should be adequate training and retraining of officers
- Officers should be properly remunerated and motivated
- No officer should collect any gift whatsoever while still on his/her duty
- Awareness should be adequately created