

# **Enhancing Livelihoods through Zakath and Sadaqa for Poverty Reduction in Sri Lanka**



**Community Association of Professionals (CAP)**  
**January, 2026**

# Enhancing Livelihoods through Zakat and Sadaqah for Poverty Reduction in Sri Lanka



**Community Association of Professionals (CAP)**

**January, 2026**

**Published by:**

**Community Association of Professionals (CAP)**

**Office:** No. 38, Temple Lane, Colombo 03, Sri Lanka

**E-mail:** info.capsrilanka@gmail.com

ISBN 978-624-210-220-7

**Authors:**

S. A.C. M. Zuhyle

Professor M.A.Careem

Professor Fareena Ruzaik

M.A. Cassim

© 2026 Community Association of Professionals (CAP)



CAP 003-Not for Circulation

All rights reserved. This document is not for circulation, sale, or unauthorised printing. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission from CAP.

Published in **Colombo, Sri Lanka**

**Printed by:**

Neptune Printing and Packaging (Pvt) Ltd

“Nava City Building”

No. 787/G, Kaduwela Road, Malabe. Sri Lanka

Tel: 077-738 1335

# Editorial Board

## Editorial Board

- **Mr. S. A. C. Mohamed Zuhyle**  
President, Community Association of Professionals (CAP), Sri Lanka  
Former Ambassador to Kuwait
- **Prof. (Dr.) M. A. Careem**  
Committee Member, CAP  
Emeritus Professor of Physics, University of Peradeniya, Sri Lanka
- **Prof. (Dr.) Fareena Ruzaik**  
Joint Secretary, CAP  
Head/Department of Geography, Faculty of Arts, University of Colombo, Sri Lanka
- **Mr. Arshad Cassim**  
Public Relations Officer, CAP  
IT Professional

## Panel of Reviewers

- **Ash-Shaikh M. Arkam Nooramith**  
General Secretary of the All Ceylon Jamiyyathul Ulama (ACJU), Sri Lanka
- **Prof. A.A. Azeez**  
Dean, Faculty of Graduate Studies, University of Colombo, Sri Lanka
- **Dr. Mohammad Ismath Ramzy**  
Chair, Education for Humanism and Social Advancement Research Centre (EHSAN),  
Faculty of Education, University Malaya, Malaysia

## Research Team

- **Ms. Nuskiya Hassan**

Team Leader & Principal Researcher

Lecturer, Department of Geography, South Eastern University of Sri Lanka

- **Ms. Sawjanya Sathyaseelan**

Research Assistant

Postgraduate Student, University of Sri Jayewardenepura, Sri Lanka

### Field Assistants

- Mr. A. M. Rizard
- Mr. A. N. M. Nawas
- Ms. M. H. F. Mufliha
- Mr. A. M. M. Minhaj
- Ms. ALF. Zainab Farha

# Executive Summary

Sri Lanka continues to face persistent poverty and widening socio-economic disparities, particularly among minority communities that remain highly vulnerable to recent economic shocks, soaring inflation, and the prolonged impacts of the COVID-19 pandemic. These challenges have intensified the hardships of low-income Muslim households in the country, where employment opportunities are limited, and the cost of living has risen sharply. Within this context, Islamic social finance instruments Zakat (obligatory almsgiving) and Sadaqah (voluntary charity) present a religiously motivated, culturally grounded and sustainable mechanism for poverty alleviation. Zakat is one of the five pillars of Islam. Yet, despite their strong presence in community life, the current practice of Zakat and Sadaqah distribution in Sri Lanka remains largely informal, inconsistent, and fragmented.

This research project, titled “Enhancing Livelihoods through Zakat and Sadaqah for Poverty Reduction in Sri Lanka,” **was conceptualised and initiated 6 years ago**, recognising the need for a scientific, structured, and evidence-based approach to leveraging Islamic charitable funds for long-term economic empowerment. While the foundational desk studies and model development began earlier, the comprehensive field survey spanning five districts and involving community beneficiaries, fund administrators, and institutional stakeholders was conducted over the last six months, ensuring up-to-date, context-sensitive data. The project was finalised in 2025, driven by the urgent national need to strengthen poverty reduction and livelihood development efforts as a meaningful contribution to Sri Lanka’s socio-economic recovery.

The overarching goal of the study is to transform Zakat and Sadaqah from short-term relief mechanisms into strategic instruments of sustainable livelihood enhancement. Using a mixed-methods approach, the research engaged 185 participants through surveys, interviews, and focus group discussions. Analytical methods, including poverty mapping, socio-economic profiling, and thematic analysis, were applied to identify administrative gaps, institutional limitations, and livelihood opportunities across regions.

Key findings reveal that although community giving remains strong and culturally embedded, the absence of standardised institutional coordination significantly reduces the long-term impact of Zakat and Sadaqah. Current practices often prioritise immediate relief, leading to

## Community Association of Professionals (CAP)

dependency rather than empowerment. The study identified substantial livelihood potentials, particularly in agro-based activities and microenterprise development, varying across districts. A livelihood potential map was developed to guide evidence-based, spatially targeted fund allocation. The research further highlights that sustainable, long-lasting impact requires more than financial distribution: it demands a structured support ecosystem involving proper beneficiary selection, training, mentorship, and continuous follow-up.

Based on these insights, the project proposes a Zakat and Sadaqah Livelihood Enhancement Framework, built on principles of transparency, accountability, inclusion, and data-driven decision-making. The framework integrates fund administration with skills development, enterprise entrepreneurship, and institutional partnerships to promote income stability and productivity. Additionally, the study provides policy recommendations for strengthening governance, enhancing institutional synergy between religious and civil bodies, and aligning Islamic social finance mechanisms with national poverty reduction strategies.

By linking charitable giving with verifiable livelihood outcomes, this initiative contributes significantly to the United Nations' Sustainable Development Goal 1 (UN SDG 1): No Poverty, and supports community-driven, culturally relevant development pathways. Ultimately, the research demonstrates that when managed strategically and guided by scientific analysis, Zakat and Sadaqah can serve as powerful instruments of economic justice, resilience building, and social transformation. Through shifting from relief-based distribution to livelihood-oriented investment, this project offers a pathway to uplift vulnerable families, restore dignity, promote self-reliance, and strengthen long-term community resilience across Sri Lanka. **It advocates for a shift from charity-based assistance toward empowerment-oriented interventions, transforming Zakat and Sadaqah into catalysts for economic inclusion, self-reliance, and sustainable community development.**

# About the Community Association of Professionals

The Community Association of Professionals (CAP) represents a broad spectrum of disciplines, united by a mission to examine contemporary practices and address pressing concerns within Sri Lankan society. CAP's work is grounded in the socio-cultural and economic contexts of the nation, seeking to understand the core issues affecting the community and to foster the peaceful coexistence of all. Over the past several decades, the community has experienced a gradual transformation, absorbing diverse cultural influences from across the globe, particularly from emerging economies in the Middle East. While these interactions have enriched the community's social and cultural fabric, they have, at times, been perceived as indirect challenges to mainstream societal norms and the established social order.

This perception has increasingly generated concern among certain segments of the population. In some instances, individuals and groups have amplified these issues disproportionately, from laypersons to intellectuals, often receiving media support for narratives that are largely ill-informed, inaccurate, and baseless. Though unfounded, such misrepresentations pose a tangible risk to the enduring peace and harmony that Sri Lankan communities have historically enjoyed. Recognising these concerns, CAP underscores the importance of inward reflection and retrospective analysis of the socio-cultural changes experienced by the community, particularly in practices informed by faith and cultural influences adopted from abroad. Systematic study, analysis, and reflection are critical to identifying actionable, viable strategies to address both immediate and long-term challenges.

In pursuit of this mission, CAP has established a Think Tank tasked with generating concept papers and strategic proposals on selected issues, aimed at drawing the focused attention of relevant stakeholders. This initiative is managed by a carefully selected professional team and guided by a Council of Advisors composed of senior community members, ensuring that CAP's efforts are rigorous, informed, and strategically impactful. Through this structured approach, CAP seeks not only to address perceptions and challenges but to contribute meaningfully to the social cohesion, mutual understanding, and sustainable development of Sri Lankan society.

## Composition of the Community Association of Professionals

### Founder President

**Mr. S. A. C. Mohamed Zuhyle**

*BA (Cey), MBA (USJ),  
Postgraduate Diploma in  
International Affairs (BCIS).*

- Ambassador Extraordinary and Plenipotentiary to the State of Kuwait.
- Director Planning - UGC.
- Managing Director of SPC and Managing Director of SPMC.
- Co-Author of the Coffee Table Book “Garden University of Peradeniya”.
- Translated and Produced *Islamic Jurisprudence* by Judge Weeramantry into Sinhala.
- Co-Founder, Trustee of “Sir Ivor Jennings Endowment Fund Trust” of the University of Peradeniya.

### Vice Presidents

**Ms. Marina Mohamed**

*BA Hons (University of Kelaniya), Master's in Public Management (SLIDA), Senior S.L.A.S. Officer (Special Grade).*

**Mr. Mahil Dole**

*Bachelor's in National & International Security - International University of Fundamental Studies. Diploma in Security Studies - Asia-Pacific Centre for Security Studies, Hawaii.*

- Member of the Public Service Commission.
- Former Secretary to Ministries of Justice & Prisons Affairs; Tourism & Aviation; Postal & Muslim Religious Affairs; Estate Infrastructure Development; Resettlement and Disaster Management.
- Provincial Secretary to the Ministry of Social Welfare & Agriculture.
- Managing Director - Smart Security Solutions (Pvt) Ltd.
- Member - Sri Lanka Waqfs Board.
- Security Consultant - Colombo Grand Mosque & Red Mosque.
- SSP (Rtd). Advisor & Consultant - Financial Crimes Investigation Department.
- Intelligence Coordinator - Police Headquarters.
- Head of Counter Terrorism - State Intelligence Services (SIS).
- First Secretary (Defence) - Sri Lanka Embassy, Bangkok, Thailand.
- Head of Delegation - BIMSTEC Conferences (Thailand).

### Joint Secretaries

**Professor Fareena Ruzaik**

*BA Hons (Peradeniya), MSc (USJ), PhD (Colombo).*

- Head, Department of Geography, University of Colombo.
- Member of the Board of Directors: Office of National Unity & Reconciliation (ONUR); Sri Lanka Development Journalist Forum (SDJF); Centre for Development Research and Intervention (CDRI).
- Vice President - All-Ceylon Muslim Educational Conference (ACMEC).
- Founder Member - Asian Geographic Association (AGA).
- Senior Treasurer, Muslim Majlish, UOC

### Mr. Rizan Mubarak

*B. Sc (Swinburne University of Technology, Australia), MBCS.*

- Senior IT professional.
- Head of IT at a leading corporate organisation.
- Chief Information Security Officer (CISO).

### Treasurer

### Mr. Rusham Mansoor

*MBA (University of Sunderland, UK), PMP, CPA, ACMA (UK), ACMA (LK), MTRA (GRAPA), CFA (GRAPA).*

- Co-Founder - Torpedo.
- Head of Revenue Assurance and Fraud Management at Etisalat Afghanistan.
- Assistant Manager - Revenue Assurance at Bharti Airtel Lanka, International Roaming and Interconnection.

### Legal Officers

### Mr. Isphani Anver

*Attorney-at-Law. MBA (SJP).*

- Member of All Ceylon Baithul Mall Fund (CBMF).

### Dr. M. A. M. Hakeem

*LLB (Hons) Colombo, LLM (Malaya), PhD (Colombo). Attorney-at-Law.*

- Senior Lecturer - Department of Public and International Law, Faculty of Law, University of Colombo.
- Deputy Director - Centre for the Study of Human Rights, University of Colombo.

### Public Relations Officer

### Mr. M. A. Cassim

*MSc in Security and Strategic Studies (KDU). MBA (University of Peradeniya). Postgraduate Diploma in International Affairs (BCIS). Professional Graduate Diploma (British Computer Society).*

- Product Manager - IFS R&D International (Pvt) Ltd.
- Visiting Lecturer - PGIA, University of Peradeniya, and BCIS.

Committee Members

**Professor Mohamed Abdul Careem**

*B.Sc. Hons (Peradeniya), PhD (London), D.Sc. (Honoris Causa) (SEUSL).*

- Emeritus Professor of Physics, University of Peradeniya.
- Lecturer to Senior Visiting Professor of Physics – University of Malaya, Kuala Lumpur, Malaysia.
- Member – UGC. Chairman – Standing Committee on Sciences.
- Member – National Research Council, Sri Lanka.
- Chairman – Physics Research Committee, Fundamental Research Committee and National Committee on Basic Sciences, National Science Foundation (NSF).
- Consultant for the establishment of the Faculty of Applied Sciences, South Eastern University of Sri Lanka (SEUSL).
- Member – Board of Management, PGIS, Peradeniya.
- Chairman – Board of Study in Physics, PGIS, Peradeniya.
- Dean – Faculty of Graduate Studies, University of Colombo.
- Founder and Coordinator of the Doctor of Business Administration Programme.

**Professor A. A. Azeez**

*B. Com (Hons), MBA, PhD. Senior Professor in Finance.*

- Faculty of Management and Finance, University of Colombo.
- Former Head of Department.
- Former Member - Research Committee.
- International Research Conference Chair.
- Overseas Study Tour Coordinator. MBA Programme Coordinator.

**Professor Fazeela Jameel Ahsan**

*PhD, University of Strathclyde, UK.*

- Senior Lecturer & Coordinator - Arabic & Islamic Civilization Unit, University of Colombo.

**Mr. U. Abdul Ameer**

*B.A (SEUSL), B.A Hons (UQU-KSA), M.I.S (UKM-Malaysia), DIB (IBSL), MPhil-PhD (University of Colombo - Reading).*

# Message from the President of CAP

*'It is better to teach a man to fish rather than to feed him with fish'*

In an ever-changing world, shaped by rapid financial shifts and deeply influenced by global economic policies, the traditional methods of Zakat distribution are no longer sufficient to address the structural challenges of poverty. For decades, cash handouts have been the primary mode of Zakat disbursement in Sri Lanka. While these contributions offer short-term relief, they often fail to dismantle the long-standing socio-economic barriers that prevent vulnerable families from achieving sustainable independence.

Guided by this understanding, CAP embarked on a journey to rethink how Zakat and Sadaqah can be used more effectively as instruments of livelihood development. Our preliminary findings revealed a compelling reality: when Zakat funds are channelled into skills development, income-generating activities, and technical training, the impact is deeper, more sustainable, and transformative. We realised that true poverty alleviation must aim not merely to meet immediate needs, but to uplift individuals with dignity, opportunity, and long-term economic resilience.

This understanding laid the foundation for undertaking a comprehensive national study. CAP initiated this research initiative nearly six years ago, beginning in 2020, to develop a robust, transparent, and accountable mechanism for the collection, management, and distribution of Zakat and Sadaqah funds. The Terms of Reference (ToR) were finalised in early 2021, and an external consultancy firm was appointed to conduct the study. Initial survey work commenced but was unfortunately disrupted in 2022 due to the COVID-19 pandemic and the ensuing economic crisis. A few other initiatives intended to carry the project forward did not materialise either.

With determination and commitment, learning from this experience, CAP redesigned the study and presented the revised plan to the public on 5<sup>th</sup> July 2024. However, financial limitations delayed the fieldwork once more. Through patience, perseverance, and renewed commitment, data collection, field surveys, and institutional assessments finally resumed in early 2025 with a refined scope and greater clarity of purpose.

This report represents the culmination of several years of planning, research, consultation, and testing. It provides not only a conceptual framework but also a practical and implementable mechanism for transforming Zakat and Sadaqah into powerful tools for livelihood development

## Community Association of Professionals (CAP)

in Sri Lanka. In my view, this study marks a “paradigm shift” in how we understand, administer, and mobilise Islamic social finance for community upliftment.

I extend my heartfelt gratitude to the members of CAP whose dedication, vision, and service made this endeavour possible. My sincere appreciation goes to Ms. Nuskiya Hassan, who provided remarkable leadership to the research team, as well as to all consultants and field officers who worked tirelessly to bring this study to completion despite numerous challenges.

I am fully convinced that implementing the mechanisms proposed in this report will open the door to a significant transformation within our community. By embracing structured, evidence-based, and development-oriented approaches to Zakat and Sadaqah, we can collectively pave the way toward a society where dignity, opportunity, and well-being are accessible to all.

**May Allah accept our efforts and enable us to serve humanity with sincerity, wisdom, and compassion.**

**S.A.C. Mohamed Zuhyle**

President- Community Association of Professionals (CAP)

Colombo

January, 2026

# Acknowledgements

The successful completion of this comprehensive research study would not have been possible without the support and contributions of numerous individuals and organisations. We extend our sincere gratitude to all who have played a role in bringing this project to fruition.

We are especially thankful for the generous financial support provided by Mr. Fazal Abdeen and Mr. Hanif Yusuf, which was instrumental in enabling the rigorous execution of this study.

We also acknowledge the significant contributions of the Editorial Board, whose careful review and feedback refined the report to its final form. Special appreciation is extended to the review panel Ash-Shaikh M. Arkam Nooramith (Secretariat, ACJU), Professor A. A. Azeez (Dean, Institute of Postgraduate Studies, and University of Colombo), and Dr. Mohammad Ismath Ramzy (Chair, Education for Humanism and Social Advancement Research Centre, Faculty of Education, University of Malaya, Malaysia), for their constructive guidance and insights.

The conceptualisation and strategic development of the project were meticulously overseen by the research team under the leadership of Ms. Nuskiya Hassan, with invaluable support from Research Assistant Ms. Sawjanya Sathyaseelan and the field research assistants. Their dedication, professionalism, and meticulous attention to detail were pivotal in achieving the project's objectives.

Finally, we wish to recognise Neptune Printers (Pvt.) Ltd for their support in producing the final document.

## List of Abbreviations

<b>BAZNAS</b>	Badan Amil Zakat Nasional (Indonesia)
<b>CBMF</b>	Ceylon Baithulmal Fund
<b>CDZR</b>	Central Digital Zakat Registry
<b>CSR</b>	Corporate Social Responsibility
<b>DCS</b>	Department of Census and Statistics
<b>DVC</b>	District Volunteer Committee
<b>FGD</b>	Focus Group Discussion
<b>HCI</b>	Head Count Index
<b>KII</b>	Key Informant Interview
<b>LKR</b>	Sri Lankan Rupee
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MoU</b>	Memorandum of Understanding
<b>MPI</b>	Multidimensional Poverty Index
<b>NBD</b>	National Beneficiary Database
<b>NZSMC</b>	National Zakat and Sadaqah Management Council
<b>SDG</b>	Sustainable Development Goal
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SME</b>	Small and Medium Enterprise
<b>UBIS</b>	Unified Beneficiary Identification System

<b>UNDP</b>	United Nations Development Programme
<b>Zakath</b>	Obligatory charity
<b>Sadaqah</b>	Voluntary charity
<b>Z-MIS</b>	Zakat Management Information System
<b>ZS-FMS</b>	Zakat and Sadaqah Fund Management System
<b>ZSTRU</b>	Zakat and Sadaqah Training and Research Unit

## List of Tables

- Table 3.1** Socio-economic Justification for Sample Districts
- Table 3.2** Sampling Methods and Sample Size
- Table 4.1** Demographic characteristics of response
- Table 5.1** Clustered Livelihood Potential Identified in Sri Lanka
- Table 6.1** Fund Distribution Category and Percentage

## List of Figures

<b>Figure 2.1</b>	Proposed Zakat Governance Compliance Model
<b>Figure 2.2</b>	Gaps in Zakat and Sadaqah Collection and Distribution System
<b>Figure 2.3</b>	Pathways of Zakat for economic development
<b>Figure 2.4</b>	Zakat and Sadaqah Model for Sustainable Development of Bangladesh
<b>Figure 2.5</b>	Zakat Organisation Model in Pakistan
<b>Figure 4.1</b>	Type of beneficiaries housing
<b>Figure 4.2</b>	Education level of beneficiaries
<b>Figure 4.3</b>	Primary Source of Income of Beneficiaries
<b>Figure 4.4</b>	Government Welfare Beneficiary Status
<b>Figure 4.5</b>	Beneficiaries' Income & Expenditure Level
<b>Figure 4.6</b>	Welfare Receiving Duration
<b>Figure 4.7</b>	Usage of Zakat Funds
<b>Figure 4.8</b>	Challenges using Zakat and Sadaqah funds for livelihood improvement
<b>Figure 4.9</b>	Preferred Support for livelihood benefits
<b>Figure 4.10</b>	Livelihood Preferences using Zakat/Sadaqah
<b>Figure 4.11</b>	Livelihood Activities in Selected Districts
<b>Figure 4.12</b>	Barriers faced by beneficiaries to developing livelihood activities
<b>Figure 4.13</b>	Major Institutional Challenges
<b>Figure 4.14</b>	Collaboration with other institutions

- Figure 4.15** Institutional Dependencies
- Figure 4.16** Difficulties in Beneficiary Selection and Allocation of Zakat/Sadaqah Funds
- Figure 4.17** Measures Implemented to Prevent Misuse
- Figure 4.18** Suggested Improvements for Effective Zakat and Sadaqah Fund Management
- Figure 5.1** Proposed Institutional Arrangement
- Figure 6.1** Institutional Structure of the Proposed Framework

# Table of Contents

Editorial and Research Committee .....	i
Executive Summary .....	iii
About the Community Association of Professionals .....	v
Message from the President of CAP .....	vii
Acknowledgements .....	xi
List of Abbreviations.....	xii
List of Tables.....	xiv
List of Figures.....	xv
<b>CHAPTER ONE.....</b>	<b>1</b>
INTRODUCTION .....	1
1.1 Overview .....	1
1.2 Background of the Study .....	4
a. Research Problem .....	5
b. Research Questions .....	5
c. Research Objectives.....	6
d. Significance of the Study.....	6
e. Scope.....	7
f. Constraints.....	8
1.3 Organisation of the Report.....	8
<b>CHAPTER TWO .....</b>	<b>9</b>
DESK REVIEW .....	9
2.1 Zakat and Sadaqah in Sri Lanka: Current Practices .....	9
2.1.1 Beneficiary Perspective .....	11
2.1.2 Collection and Distribution.....	14
2.2 Global Experiences and Best Practices.....	19
<b>CHAPTER THREE.....</b>	<b>26</b>
METHODOLOGY.....	26
3.1 Research Design .....	26

3.2 Study Area and Population .....	26
3.3 Sampling Methods and Sample Size .....	28
3.4 Key Informant Interviews (KIIs).....	29
3.5 Data Analysis Methods.....	29
3.6 Model Development .....	30
3.7 Ethical Considerations.....	31
<b>CHAPTER FOUR.....</b>	<b>32</b>
DATA ANALYSIS AND FINDINGS.....	32
4.1 Beneficiary Survey Analysis (Questionnaire I).....	32
4.1.1 Demographic Profile of Respondents .....	32
4.1.2 Current Status of Zakat and Sadaqah .....	37
4.1.3 Current Livelihood and Potential.....	39
4.1.4 Awareness of Institutions Providing Zakat and Sadaqah Support.....	42
4.2 Analysis of the Existing Institutional System (QII) .....	44
4.2.1 Implementation of Livelihood Projects .....	44
4.2.2 Institutional Successes and Challenges .....	45
4.2.3 Mechanisms for Beneficiary Identification and Fund Distribution .....	47
4.2.4 Key Factors Influencing Institutional Impact Assessment .....	48
4.2.5 Institutional Dependencies and Collaborative Networks.....	50
4.2.6 Monitoring and Follow-up Mechanisms for Livelihood Initiatives .....	52
4.2.7 Challenges in Fair Selection of Beneficiaries of Allocation of Funds.....	53
4.2.8 Cases of Misuse of Zakat and Sadaqah Funds .....	54
4.2.9 Suggested Improvements for Effective Zakat and Sadaqah Fund Management.....	55
<b>CHAPTER FIVE .....</b>	<b>57</b>
DISCUSSION.....	57
5.1 Institutional Arrangements .....	57
5.2 Proposed Institutional Arrangement.....	58
5.3 Proposed Livelihood Potential for Sri Lanka.....	60
5.4 Chapter Summary.....	61

<b>CHAPTER SIX</b> .....	<b>62</b>
CONCLUSION & RECOMMENDATIONS .....	62
6.1 Conclusion.....	62
6.2 Recommendation .....	63
6.3 Fund Collection and Distribution Mechanism .....	65
6.4 Chapter Summary.....	70
<b>REFERENCES</b> .....	<b>72</b>
<b>ANNEXES</b> .....	<b>xx</b>
Annexe 1: Similarity report obtained, to confirm the originality of the work.....	xx
Annexe 2: Household Questionnaire .....	xxii
Annexe 3: Institutional Questionnaire .....	xxvii
Annexe 4: Key Informant Interview Guide.....	xxx
Annexe 5: Work Plan .....	xxxii
Annexe 6: The Official National Poverty line report .....	xxxiii
Annexe 7: Related Hadith.....	xxxiv

# Chapter 1

## Introduction

### Overview

The Zakat as practised in most communities in Sri Lanka today is delivered in a more systemic manner, namely, handouts, where short-term transfers are given to needy people and families to cover urgent consumption demands. This technique can provide a short-term solution, but it is not sufficient to help reduce poverty and achieve sustainable socio-economic development. Lack of planned development-focused systems in the current Zakat distribution systems has led to minimal changes in the economic position, stability, and general standards of living among beneficiaries. In light of these limitations, the study aims to redesign the present Zakat system, which basically represents a consumptive charity model, to a livelihood strategy model. The main objective herein is to evaluate the redesigning of Zakat distribution to directly benefit and improve the lives of selected families and individuals. By so doing, Zakat will not simply be a temporary aid but will rather help in establishing, strengthening and growing income-generating activities. This kind of transformation is likely to enable beneficiaries to advance their economic status, decrease long-term dependence and meaningfully increase their quality of life. This shift is consistent with world trends in Islamic social finance, as Zakat is being used more as a sustainable development instrument than as a confined form of almsgiving. Through researching the existing practices, outlining the structural gaps and developing a livelihood-based model, this research paper would help in a more effective and development-based application of Zakat in the Sri Lankan socio-economic setting.

Poverty remains one of the most persistent socio-economic challenges confronting Sri Lanka, despite the country's strong human development indicators and potential for economic growth. Recent socio-economic crises, rising inflation, and the lingering effects of the COVID-19 pandemic have intensified the hardships faced by vulnerable populations, pushing a substantial proportion of households below the national poverty line. Sri Lanka continues to grapple with deep-rooted poverty despite showing signs of economic recovery in recent years. According to the Department of Census and Statistics (2025), the Official Poverty Line (OPL) at the national level reached Rs. 16,413 per person per month in September 2025, reflecting a significant increase compared to Rs. 6,966 in 2019 and Rs. 5,223 in 2012/13. This steep rise mirrors the country's

ongoing cost-of-living pressures and inflationary trends that have eroded household purchasing power. The surge in living costs and income inequality has pushed many vulnerable households, especially in rural and conflict-affected regions, below the poverty threshold. According to the Department of Census and Statistics (2023), the national poverty headcount ratio increased to approximately 25% in 2022, marking one of the sharpest rises in recent decades. The World Bank (2023) further observes that this surge in poverty has been compounded by limited employment opportunities, declining real incomes, and a weakened social welfare system. These disparities underscore the urgency for innovative, community-centred poverty alleviation mechanisms.

Poverty remains not only a paramount socio-economic challenge worldwide (Rasul et al., 2021) but also a profound religious concern (Salleh, 2017). Within the Islamic worldview, poverty is described as a “social disease” that can undermine both communal welfare and faith itself (Rifas et al., 2023). The teachings of the Qur’an emphasise the ethical obligation of wealth redistribution through worship, charitable giving and social solidarity:

*“And establish prayer and give Zakat and bow with those who bow [in worship and obedience].”* (Qur’an 2:43).

*“Do not worship except Allah; and to parents do good and to relatives, orphans, and the needy. And speak to people good [words] and establish prayer and give Zakat.”* (Qur’an 2:83).

*And establish prayer and give Zakat, and whatever good you put forward for yourselves, you will find it with Allah. Indeed, Allah is aware of what you do.”* (Qur’an 2:110).

*“Righteousness is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives wealth, despite love for it, to relatives, orphans, the needy, the traveller, those who ask [for help], and for freeing slaves; [and who] establishes prayer and gives Zakat ; [those who] fulfil their promise when they promise; and [those who] are patient in poverty and hardship ... Those are the ones who have been true, and it is those who are the righteous.”* (Qur’an 2:177).

These verses point to the principle that wealth must circulate in society, that the vulnerable, including orphans, the needy, travellers and debt-burdened persons must be supported, and that fulfilment of prayer (‘ibādah) and Zakat are inseparable components of righteousness. In line with this, contemporary Islamic economic scholarship identifies compulsory almsgiving (Zakat) as the central mechanism for poverty alleviation and social justice (Rahman, 2024; Hossain, 2012). Accordingly, this study proposes to explore how Zakat and Sadaqah can be mobilised to revitalise livelihoods and systematically address poverty in Muslim-communities in Sri Lanka. Within this

## Community Association of Professionals (CAP)

context, faith-based social finance mechanisms, notably Zakat (obligatory almsgiving) and Sadaqah (voluntary charity), offer a culturally embedded and ethically grounded approach to addressing poverty and inequality. Zakat and Sadaqah are two foundational elements of Islamic social finance that combine spiritual devotion with social responsibility. Zakat, one of the Five Pillars of Islam, is a compulsory duty for Muslims who meet a defined threshold of wealth (nisab). It requires the annual payment of a fixed portion, generally 2.5%, of accumulated wealth and assets (Mahomed, 2017). The Qur'an explicitly identifies eight categories of eligible recipients, such as the poor, the needy, and those in debt (Bonner, 2005). This obligation serves as both a form of worship and a structured socio-economic system aimed at redistributing wealth and reducing inequality (Jannah, 2024). Sadaqah, on the other hand, is a voluntary charity that is not restricted by wealth thresholds, amounts, or timing. It can take monetary and non-monetary forms, ranging from donations and community support to acts of kindness, thus offering Muslims the opportunity to give continuously. Together, Zakat and Sadaqah reflect the principles of compassion, equity, and redistributive justice within Islamic tradition, functioning as both spiritual practices and mechanisms for social welfare (Raza et al., 2024; Ali et al., 2024).

In Sri Lanka, where approximately 8.5% (1,435,896) of the population in 2021 and 9.7% in 2025 adheres to Islam (Department of Census and Statistics of Sri Lanka, 2012; Long et al., 2025), the practices of Zakat and Sadaqah are widespread, yet largely informal and uncoordinated. The absence of a standardised, transparent, and data-driven mechanism has limited the effectiveness of these funds in addressing the root causes of poverty. While numerous individuals and institutions contribute generously to Zakat and Sadaqah annually, much of this giving remains reactive and consumption-oriented, directed toward immediate relief rather than long-term livelihood enhancement. This underscores the need for a structured, accountable, and development-focused framework that aligns religious philanthropy with national poverty alleviation goals and the United Nations Sustainable Development Goals (UN SDGs), particularly Goal 1: No Poverty, Goal 2: No Hunger, and Goal 8: Decent Work and Economic Growth. SDG 1 focuses on eradicating extreme poverty by ensuring vulnerable populations have access to basic services, social protection, and sustainable livelihood opportunities, thereby reducing their exposure to economic shocks and inequalities. SDG 2 aims to eliminate hunger and malnutrition by ensuring year-round access to safe and nutritious food while strengthening food systems, supporting small-scale farmers, and promoting sustainable agricultural practices. Complementing these, SDG 8 promotes sustained and inclusive economic growth through full and productive employment, fair wages, safe working conditions, and the encouragement of entrepreneurship and

innovation, particularly for marginalised communities. Together, these goals seek to create a foundation for long-term socio-economic resilience and improved quality of life.

Recognising this gap, the present study explores how Zakat and Sadaqah can be effectively harnessed as instruments of sustainable livelihood development in Sri Lanka. By analysing existing practices, institutional mechanisms, and community perceptions, the research seeks to propose a model that enhances the efficiency, transparency, and developmental impact of faith-based social finance. This initiative is especially relevant at a time when conventional welfare systems are overstretched, and alternative, community-driven solutions are urgently needed to build resilience among low-income populations. In essence, this study contributes to the growing discourse on integrating Islamic social finance with development planning. It advocates for a shift from charity-based assistance toward empowerment-oriented interventions, transforming Zakat and Sadaqah into catalysts for economic inclusion, self-reliance, and sustainable community development.

### 1.2 Background of the Study

Despite the deeply rooted tradition of charitable giving through Zakat and Sadaqah among Sri Lankan Muslims, their practical utilisation remains largely fragmented, informal, and oriented toward short-term relief rather than long-term socio-economic empowerment. While these faith-based instruments are widely practised, their current deployment predominantly addresses immediate consumption needs such as food, healthcare, and temporary assistance without contributing significantly to sustainable livelihood development. A substantial portion of Zakat and Sadaqah contributions is channelled through personal networks, community elders, or local mosques, often lacking systematic targeting, monitoring, or transparent accountability mechanisms (Cheema et al., 2017).

The informal and uncoordinated manner in which Zakat and Sadaqah are currently distributed limits their developmental potential and often reinforces cycles of dependency rather than enabling self-reliance and resilience among beneficiaries. This challenge has intensified amid Sri Lanka's prolonged economic downturn, high inflation, and the socio-economic disruptions brought about by the COVID-19 pandemic, all of which have disproportionately affected Muslim-majority regions. Structural issues, including limited employment opportunities, unequal access to resources, and inadequate social safety nets, continue to deepen poverty, as reflected in the sharp rise of the Official Poverty Line from Rs. 5,223 in 2012/13 to Rs. 16,413 in September 2025 (Department of Census and Statistics, 2025). This tripling of the poverty threshold highlights the

escalating vulnerability of low-income households and underscores the urgent need for sustainable, community-based poverty alleviation strategies in which Zakat and Sadaqah can be leveraged more systematically to support livelihood development and strengthen social resilience.

In contrast, international experiences from countries such as Malaysia, Indonesia, and Jordan illustrate that when Zakat systems are institutionalised, they can play a transformative role in alleviating poverty, fostering financial inclusion, and promoting entrepreneurship (Ok, 2025). These nations have demonstrated that the integration of Zakat with national development strategies through structured institutions, digital monitoring, and transparent fund allocation significantly enhances both efficiency and social impact.

### **a. Research Problem**

In Sri Lanka, however, the absence of a standardised and transparent institutional framework has led to fragmented administration, duplication of efforts, and underutilization of available resources. The result is a considerable loss of potential in mobilising Islamic social finance as a sustainable instrument for community development and poverty eradication. Therefore, the central research problem addressed in this study is the lack of a transparent, systematic, and development-oriented model for mobilising, managing, and utilizing Zakat and Sadaqah funds in Sri Lanka. This problem underscores the urgent need to transition from traditional charity-based distribution models toward structured, accountable, and impact-driven frameworks that align with broader national and global development goals.

### **b. Research Questions**

To address the identified problem, the study seeks to answer the following research questions:

1. How are Zakat and Sadaqah currently collected, managed, and distributed in Sri Lanka?
2. What administrative and institutional inefficiencies limit the effective utilisation of Zakat and Sadaqah?
3. How to overcome the existing administrative and institutional inefficiencies of Zakat and Sadaqah so that the socio-economic needs of beneficiaries are addressed?
4. What strengths exist within current institutions and systems that can be leveraged to optimise resource allocation and enhance impact?
5. How can international best practices in institutionalising Zakat and Sadaqah be adapted to the Sri Lankan context?

### c. Research Objectives

The study is structured around one main objective and a set of specific objectives designed to operationalise the research problem and questions.

#### Main Objective

To develop a structured mechanism for the effective utilisation of Zakat and Sadaqah in targeted livelihood activities aimed at uplifting communities and reducing poverty in Sri Lanka.

#### Specific Objectives

1. To analyse the current situation of the Zakat and Sadaqah system.
2. To identify administrative inefficiencies in the collection and distribution of Zakat and Sadaqah funds.
3. To assess the alignment between the distribution of Zakat and Sadaqah and the actual needs of beneficiaries.
4. To examine the strengths of existing institutions and systems with a view to optimising resource allocation and enhancing developmental impact.
5. To develop a model to effectively manage the Zakat and Sadaqah to enhance livelihood activities in Sri Lanka.

### d. Significance of the Study

The significance of this study lies in its potential to strengthen the role of faith-based financing, specifically Zakat and Sadaqah, as sustainable mechanisms for poverty reduction and livelihood development in Sri Lanka. Despite the generosity of Muslim communities in contributing to charitable causes, the majority of funds are distributed informally, often without strategic targeting or accountability, which limits their long-term developmental impact (Raza et al., 2024). This research addresses this critical gap by developing a structured and transparent framework for the collection, management, and distribution of Zakat and Sadaqah, ensuring that contributions are aligned with the real needs of beneficiaries and utilised in ways that foster economic empowerment.

At a policy level, the study is significant because it explores how Islamic social finance can complement existing state welfare programs and contribute to achieving national development priorities. By aligning with the United Nations Sustainable Development Goals (SDGs), particularly Goal 1 on eradicating poverty, the study demonstrates how religiously rooted practices

can be integrated into broader development strategies (United Nations, 2015; UNDP, 2023). International experiences from countries such as Malaysia, Indonesia, and Jordan highlight the success of institutionalised Zakat systems in reducing poverty, promoting financial inclusion, and supporting small-scale entrepreneurship (Ok, 2025). This study draws lessons from these models while tailoring its recommendations to Sri Lanka's unique socio-cultural context.)

For communities, the study is significant as it proposes livelihood-oriented uses of Zakat and Sadaqah that go beyond short-term consumption. By focusing on skills development, microenterprises, and income-generating activities, it aims to transform charitable giving into a tool for resilience, dignity, and self-reliance (Hajira, 2024). Furthermore, it contributes to the literature on faith-based philanthropy and development by providing empirical evidence from Sri Lanka, a country where such mechanisms are under-researched despite their cultural and religious importance. Ultimately, the study is significant because it bridges the gap between religious obligation and developmental practice, offering a structured model that can enhance transparency, accountability, and effectiveness in the use of Zakat and Sadaqah. By doing so, it not only supports poverty alleviation in vulnerable Muslim communities but also provides a replicable model for integrating faith-based social finance into national development frameworks.

### **e. Scope**

This study focuses on assessing the potential of Zakat and Sadaqah as structured instruments for poverty alleviation and livelihood development in Sri Lanka. It covers five key districts: Colombo, Puttalam, Kandy, Batticaloa, and Ampara, which together represent both urban and rural contexts and include significant Muslim populations disproportionately affected by poverty. Using a mixed-methods approach of surveys, interviews, and focus groups, the study examines current practices, institutional mechanisms, and community perceptions to identify gaps and opportunities for improvement. The scope emphasises aligning Zakat and Sadaqah management with Sri Lanka's poverty reduction strategies and Sustainable Development Goals (SDG 1, 2 and 8).

The combination of field data, secondary statistics, and stakeholder perspectives ensures a robust and credible foundation for designing a scalable, transparent, and evidence-based, scientifically implementable Zakat and Sadaqah framework for Sri Lanka.

### **f. Constraints**

Data availability and accuracy pose constraints, as there is no centralised database or formal reporting system on Zakat and Sadaqah collections in Sri Lanka. Much of the charitable giving occurs through informal and undocumented channels, making quantitative estimation challenging. Second, regional disparities and access challenges, particularly in post-conflict and economically marginalised areas like Batticaloa and Ampara, limit field coverage and comparability.

In addition, sensitivity surrounding religious and financial data can affect the willingness of respondents to disclose information fully, despite assurances of confidentiality.

### **1.3 Organisation of the Report**

This report is organised into six chapters to present the study logically and coherently. Chapter 1 provides an introduction to Zakat and Sadaqah, highlighting their importance in community welfare and livelihood development. It also outlines the research background, objectives, significance, and scope of the study. Chapter 2 presents a comprehensive review of the existing Zakat and Sadaqah practices in Sri Lanka, analysing beneficiary needs, fund collection and distribution mechanisms, accountability systems, and existing gaps. The chapter also examines relevant international best practices to draw comparative insights.

Chapter 3 details the research methodology, including the study design, data collection tools, sampling framework, and analytical methods employed to achieve the research objectives. Chapter 4 presents the key findings derived from field surveys, stakeholder consultations, and institutional assessments, offering a detailed analysis of current challenges and opportunities. Chapter 5 proposes a structured model and operational framework for strengthening the Zakat and Sadaqah system in Sri Lanka. It outlines institutional arrangements, fund management procedures, governance mechanisms, and a monitoring and evaluation framework to ensure transparency and impact. Chapter 6 provides policy and practice recommendations aimed at enhancing institutional efficiency, improving beneficiary targeting, and integrating Zakat and Sadaqah within the broader national poverty reduction and livelihood development strategies.

# Chapter 2

## Desk Review

### 2.1 Zakat and Sadaqah in Sri Lanka: Current Practices

Zakat and Sadaqah are essential elements of Islamic charity, playing a crucial role in social welfare within Muslim communities in Sri Lanka. Zakat, as a mandatory pillar of Islam, promotes wealth redistribution to those in need, while Sadaqah, being voluntary, encourages a culture of generosity and social unity. Research indicates that these practices are deeply ingrained in community life; however, they face challenges related to efficiency and scope due to structural and administrative constraints. Early field studies, such as Jalaldeen (2015) in Maruthamunai, reveal that Zakat provides immediate financial support, aids education, and alleviates poverty. However, the decentralised management of zakat, often handled at the mosque or family level, leads to inconsistent coverage and beneficiary overlap, highlighting a gap between traditional practices and modern welfare demands. Saujan et al. (2024) expand this analysis using a Maqashid al-Shariah framework, arguing that Zakat serves higher goals, including the protection of faith, life, intellect, progeny, and wealth. When aligned with these objectives, Zakat not only supports immediate welfare but also promotes long-term socio-economic sustainability, though institutional inefficiencies often impede its full potential.

Research by Jiffry et al. (2023) further emphasises that weak governance, a lack of accountability, and the absence of centralised regulation contribute to the poor performance of Zakat institutions in Sri Lanka. Despite available funds, poor coordination and limited transparency reduce donor trust and hinder developmental impact. Jiffry et al. (2021) propose a hybrid disbursement model that combines direct assistance with investments in income-generating activities, encouraging both immediate relief and empowerment. Kasjin & Mohamed (2025) note that well-managed Zakat institutions in the Eastern Province can effectively mobilise resources for education, healthcare, and community development. However, results remain localised due to the lack of a national framework.

Voluntary Sadaqah also greatly supports socio-economic development, especially in healthcare. Jallow et al. (2025) show that Sadaqah-funded efforts provide essential services in areas where government healthcare is limited, while Osella (2017) explains that charitable giving combines spiritual duties with social enterprise activities. Together, these studies demonstrate that

Zakat and Sadaqah effectively address immediate needs, enhance access to education and healthcare, and contribute to poverty reduction. However, the long-term potential of these funds depends on structured, transparent, and coordinated approaches that go beyond emergency aid. By utilising hybrid disbursement models, aligning with national poverty programs such as Samurdhi, and investing in sustainable social enterprises, Zakat and Sadaqah can become powerful tools for building resilient, self-reliant communities and promoting lasting socio-economic development in Sri Lanka.

### Financial Funding Types

Islamic charitable giving comprises two primary forms: Zakat and Sadaqah. While both promote social welfare and moral responsibility, they differ significantly in purpose, obligation, and application.

#### Zakat

Zakat is a core pillar of Islam and serves as an institutionalised mechanism for spiritual discipline and social equity. Together with the other pillars, such as the Shahadah (declaration of faith) and Salat (prayer), which the Qur'an pairs with Zakat in 28 verses, it forms the ethical and spiritual framework that guides Muslim life. Derived from the verb Zakat, meaning purification, growth, and improvement, Zakat represents both the cleansing of wealth and the advancement of societal well-being. Under Sharia, it is a mandatory annual levy of 2.5 percent on eligible wealth for those who exceed the nisab. The Qur'an (Chapter 9:60) restricts Zakat distribution to eight beneficiary categories, including the poor, the needy, Zakat administrators, debtors, captives, travellers in difficulty, and those striving in God's cause. Zakat functions as a formal economic instrument that redistributes wealth, strengthens community resilience, and fosters justice and prosperity across society.

#### Sadaqahh

Sadaqahh, rooted in Sidq (truthfulness), reflects the sincerity of faith expressed through voluntary giving (Ibn Manthor, 2011). Unlike Zakat, Sadaqah is non-obligatory and can be offered by anyone, at any time, in any amount. It aligns closely with voluntary charitable donations common in Western philanthropic contexts. Islamic sources highlight numerous benefits for those who give Sadaqah: forgiveness of sins (Sahih al-Jaami, Hadith: 5136), protection from harm (Qur'an, Chapter 13:22), cure from illness (Sahih al-Jaami, Hadith: 3358), increased wealth (Sahih Muslim,

Hadith: 2588), and reward in the hereafter (Qur'an, Chapter 29:7). It is recommended to give openly or discreetly, whether by day or night (Qur'an, Chapter 2:274). A review of seven studies conducted within Islamic contexts (Casidy et al., 2014; Kashif et al., 2015; Metawie & Mostafa, 2015; Osman et al., 2016; Veludo-de-Oliveira et al., 2017; Alhidari et al., 2018; Hassan et al., 2018) shows that previous research often treats Zakat and Sadaqah collectively, without differentiating their theological and practical distinctions. Since Zakat is a religious obligation exclusively for Muslims, whereas Sadaqah resembles voluntary charitable giving found globally, these studies remain limited in scope. Thus, the present study adds value by specifically examining individuals' intentions to give Sadaqah to charitable organisations.

### 2.1.1 Beneficiary Perspective

#### a. Beneficiary Needs and Aspirations

Beneficiaries of Zakat and Sadaqah in Sri Lanka have needs that extend beyond immediate material relief, including long-term goals for socio-economic development. Research shows that while aid usually covers essentials such as food, shelter, and healthcare, recipients are increasingly seeking support that encourages self-reliance and sustainable livelihoods. Salithamby et al. (2022) found that beneficiaries prefer programs involving education, vocational training, and small business support over one-time relief, highlighting a gap between emergency aid and the Sustainable Development Goals. Similarly, Saujan et al. (2024) emphasised that aid is more meaningful when it safeguards broader aspects of life, such as family well-being and educational opportunities. However, inconsistent fundraising and inadequate fund allocation often restrict Zakat institutions' ability to meet these expectations fully. Kasjin & Mohamed (2025) noted that while fulfilling basic needs remains vital, beneficiaries prioritise opportunities for self-employment, skills development, and improved access to healthcare and education, along with transparency and fairness in resource distribution.

Rifas et al. (2023) observed that beneficiaries value predictable and stable support systems, with the Samurdhi program regarded as more consistent than Zakat schemes, which often face irregular timing and scope. Jallow et al. (2025) noted that Sadaqah-funded healthcare initiatives are especially appreciated when they contribute to long-term health security rather than sporadic relief. From these studies, key beneficiary goals emerge: support that encourages self-reliance, transparent and fair selection processes, consistent assistance, increased awareness and access to programs, and ongoing monitoring to ensure meaningful results. While current Zakat and Sadaqah programs meet basic needs, they are not yet fully aligned with these broader aspirations. To close

this gap, Zakat institutions should develop programs that combine income generation, education, and vocational training with material aid, implement clear maqāṣid shariah-based selection criteria, provide sufficient and regular disbursements through hybrid aid models, establish monitoring and follow-up systems, and enhance outreach to ensure all eligible individuals know about available support. By aligning Zakat and Sadaqah efforts with these expressed needs and goals, it is possible to boost socio-economic development, empower communities, and foster sustainable human development within Muslim populations in Sri Lanka.

### **b. Access to Utilisation of Zakat and Sadaqah Funds**

Access to the use of Zakat and Sadaqah in Sri Lanka is influenced by their dual roles as religious duties and community welfare tools. Research shows that although these funds provide vital immediate aid, their ability to promote sustainable socioeconomic development is often limited by structural and institutional barriers. Haniffa & Hudaib (2010) mention that Zakat distribution mainly depends on mosque committees and community networks, which are responsive but also risk patronage, bias, and limited coverage. Mohamed et al. (2019) emphasise that informality enables quick relief but results in uneven access, leaving some groups, especially women-headed households and displaced families, excluded due to lack of awareness, poor communication, or weak connections within mosque networks. Suheera et al. (2015) point out that without formal systems, Zakat and Sadaqah are often given as isolated, one-time payments instead of being part of structured programs that support long-term poverty reduction.

Comparative studies support these findings. Silva (2020) notes that, unlike the predictability and oversight of the state-run Samurdhi program, Zakat distributions in Sri Lanka are irregular and primarily address short-term needs, such as food, medicine, or seasonal demands. Ali et al. (2024) observe that inconsistent inflows and a lack of institutional regulation hinder the developmental potential of zakat. Rasul et al. (2021) demonstrate that directing Zakat toward education or small-business projects helps beneficiaries escape chronic poverty, although these efforts often need additional training or mentoring. Trust, transparency, and accountability remain key concerns. Haniffa & Hudaib (2010) and Mohamed et al. (2019) emphasise that donor confidence and beneficiary engagement depend on credible governance and reporting systems. Lamido & Haneef (2021) emphasise that transparent selection processes, accountability structures, and impact assessments are crucial for ensuring fair access and practical use. The literature also indicates that Zakat funds are often used for immediate relief, whereas sustainable improvements such as vocational training or enterprise creation require additional non-financial support (Suheera

et al., 2015; Ahmed, 2021). A combined approach of short-term aid and long-term investment could effectively balance humanitarian and developmental goals. This information highlights the importance of adopting structured, transparent, and hybrid distribution models that combine immediate relief with vocational training, education, and investment support to optimise the utilisation of Zakat funds and foster sustainable socio-economic progress in Muslim communities.

### **c. Effectiveness of Funds**

Zakat and Sadaqah, as essential tools of Islamic philanthropy, have long been recognised for their potential to foster socio-economic development in Muslim communities. Their study highlights that, while Zakat and Sadaqah address immediate needs such as food and medical assistance, there is a growing awareness of their importance in promoting long-term human development and capacity-building among beneficiaries. Jalaldeen (2015) and Saujan et al. (2024) highlight that the effectiveness of Zakat goes beyond short-term aid, especially when funds are strategically invested in income-generating activities, vocational training, and educational programs. These studies demonstrate that productive use of Zakat can increase beneficiaries' independence, reduce reliance on aid, and boost local economies. However, challenges remain, such as inconsistent donations, limited institutional capacity, and poor coordination among charitable organisations, which can limit the full impact of these funds. Al-Faruq et al. (2025) reinforce this point by highlighting that those organisations with strong governance, transparency, and innovative collection and distribution methods exhibit higher public trust and more efficient use of funds. Their study also indicates that combining consumption-based support with productive initiatives, such as microenterprise financing and educational aid, greatly enhances socio-economic benefits.

Kasjin & Mohamed (2025) argue that institutional reforms, including transparent fund management, monitoring mechanisms, and community engagement, are essential to maximise the impact of Zakat and Sadaqah. Similarly, Osella & Widger (2015) note that aligning charitable giving with beneficiary aspirations—such as stability, capacity building, and access to opportunities—enhances the long-term effectiveness of Islamic philanthropy. Across these studies, a common theme emerges: while Zakat and Sadaqah are effective in meeting immediate needs, their full potential in socio-economic development is realised when funds are strategically allocated, monitored, and combined with human development initiatives.

### 2.1.2 Collection and Distribution

#### a. Existing Institutional Framework

According to Jiffry et al. (2023), the lack of formal structures has led to fragmentation in the collection and distribution processes, resulting in inconsistencies in fund allocation and difficulties in measuring socio-economic impact. Several studies have shown that while these organisations effectively address immediate needs, such as food, medical aid, and shelter, their ability to support long-term socio-economic development is limited by poor coordination and governance issues (Kasjin & Mohamed, 2025; Saujan et al., 2024). Rifas et al. (2023) also note that although distributing Zakat and Sadaqah helps alleviate welfare and reduce poverty, differences in institutional capacity and donor contributions create irregularities and gaps in access for potential beneficiaries. Al-Faruq et al. (2025) highlight that those institutions practising transparent management, digital innovations, and good governance tend to earn higher public trust and achieve better socio-economic outcomes. However, gaps still exist in reaching beneficiaries, monitoring progress, and following up, which limit progress toward achieving the SDGs.

In Sri Lanka, there is no formal national coordination between Zakat and Sadaqah Institutions; the collection and distribution of Zakat and Sadaqah remain voluntary and largely community-driven (KII, 2025). The overall system is fragmented, with many independent organisations operating separately, resulting in limited data sharing and weak accountability mechanisms. Weaknesses of Zakat Institutions in Sri Lanka Jiffry et al. (2021) explored why Zakat institutions in Sri Lanka are ineffective, despite widespread practice. Using qualitative interviews and institutional analysis, they found that Zakat boards operate informally without formal legal frameworks or standard policies. This lack of centralisation has led to fragmentation, inefficiencies, and low accountability. Since donors do not trust formal organisations, they tend to use Zakat informally, which further undermines their effectiveness. The authors argue that poor leadership, lack of transparency, and unprofessional management greatly limit Zakat's potential. Additionally, administrative costs diminish the funds available for poverty alleviation. They recommend formalising Zakat institutions, improving governance, and professionalising staff to build donor trust and enhance institutional performance. Without these reforms, Zakat in Sri Lanka will continue to have a limited impact on its development.

The Zakat system in Sri Lanka faces several institutional weaknesses. There is no national Zakat law or formal authority, which results in a lack of standardisation and limited state oversight (KII, 2025). There is no central database or monitoring system, which limits planning and the ability to assess zakat's impact. Shariah compliance is inconsistent due to the absence of unified

guidelines, increasing the risk of improper distribution. Many community-based institutions suffer from capacity constraints, with limited trained staff and weak management, which affects efficiency. The use of technology is minimal, restricting transparency and traceability of funds (KII, 2025). Finally, public awareness about institutional Zakat is low, and many prefer direct giving, which hinders the growth and sustainability of organised Zakat systems (Jiffry et al., 2023; Mohamed & Abdulrohim, 2025; Wahab & Rahim Abdul Rahman, 2011; Kasjin & Mohamed, 2025).

### **c. Fund Administration: Beneficiary Selection, Fund Allocation, and Distribution**

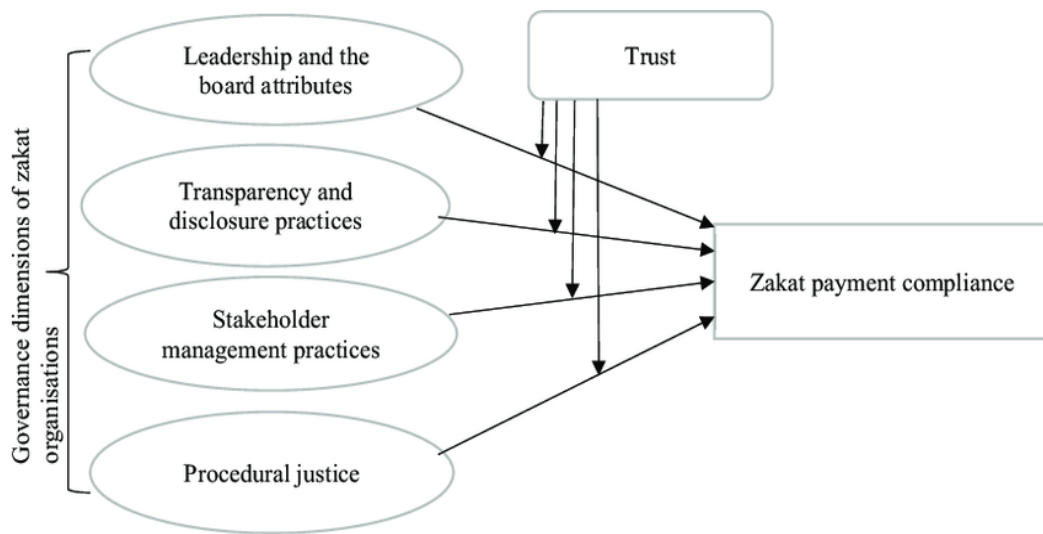
The administration of Zakat and Sadaqah in Sri Lanka is vital for promoting socio-economic growth within the Muslim communities, yet it encounters structural and procedural hurdles. Selecting beneficiaries is crucial to ensure that funds are allocated to those who truly need them. In places like Maruthamunai, Zakat Fund Committees identify recipients through community assessments and direct applications; however, the process often lacks transparency and clear standards, which can lead to potential biases and lower effectiveness (Rifas et al., 2023).

Fund allocation typically focuses on immediate needs, such as food, housing, medical care, and support for small businesses. Jalaldeen (2015) highlights that without a strategic plan, resource distribution can be mismanaged, resulting in missed opportunities for long-term development. Funds are distributed through direct payments, community events, or partnerships with local groups such as Islamic Relief Sri Lanka, which provides food packages and emergency aid. However, logistical issues, limited outreach, and poor monitoring often limit their effectiveness (El-Muhammady et al., 2024).

In Sri Lanka, Zakat and Sadaqah are administered through a combination of community institutions and NGOs. The CBMF selects beneficiaries through community committees, focusing on poor households, orphans, and widows, and allocates funds for basic needs, education, healthcare, and scholarships, though coordination is limited and reliance on volunteers can cause delays (Jalaldeen, 2015). International and local NGOs, including Islamic Relief, Muslim Aid, and local Zakat foundations, use needs assessments and surveys to identify recipients and distribute funds for education, livelihoods, healthcare, and emergency relief, yet overlap with general charity and limited integration with other institutions reduces overall efficiency (Jiffry, 2023). Local mosque committees often select beneficiaries informally and provide immediate support in cash or kind, but decentralisation and minimal recordkeeping can lead to favouritism (Jalaldeen, 2015; Jiffry, 2023). At the national level, there is no formal Zakat registry or centralised allocation system, resulting in a fragmented framework and lack of standardisation (Mohieldin et al., 2015).

**d. Accountability, Transparency, and Misuse Prevention**

Similarly, El-Muhammady et al. (2024) emphasised the importance of strong governance and sound management practices to ensure effective Zakat management, to manage funds appropriately, and to provide transparent information to the public. However, the absence of a central regulatory system has led to governance challenges. A study by Rifas et al. (2023) found that the lack of standard procedures and oversight has resulted in inefficiencies and potential misuse of funds. To address these problems, Rifas et al. (2023) recommend adopting governance principles like accountability, transparency, responsibility, and fairness within Zakat institutions. These principles aim to promote the common good and treat stakeholders as equal partners.



**Figure 2.1:** Proposed Zakat Governance Compliance Model

Source: Sawmar & Mohammed (2021)

Moreover, technology integration offers a promising way to enhance transparency and accountability. Digital platforms for collecting and distributing funds can enable real-time tracking and reporting, which helps prevent mismanagement (Kahn et al., 2018; Tariq, 2025). For example, Sri Lanka's digital payment system has simplified financial transactions, boosting transparency in public service payments (Rathnayake & Kasturiratne, 2024; Senadheera, 2013).

Figure 2.1, titled “Proposed Zakat Governance Compliance Model,” illustrates a structured framework for ensuring accountability, transparency, and preventing misuse in managing Zakat funds (Sawmar & Mohammed, 2021). The model includes several interconnected components: Leadership & Oversight, Standard Operating Procedures, Monitoring & Auditing, and Beneficiary

Feedback Mechanisms. Each component plays a vital role in improving the socio-economic impact of Zakat and Sadaqah funds.

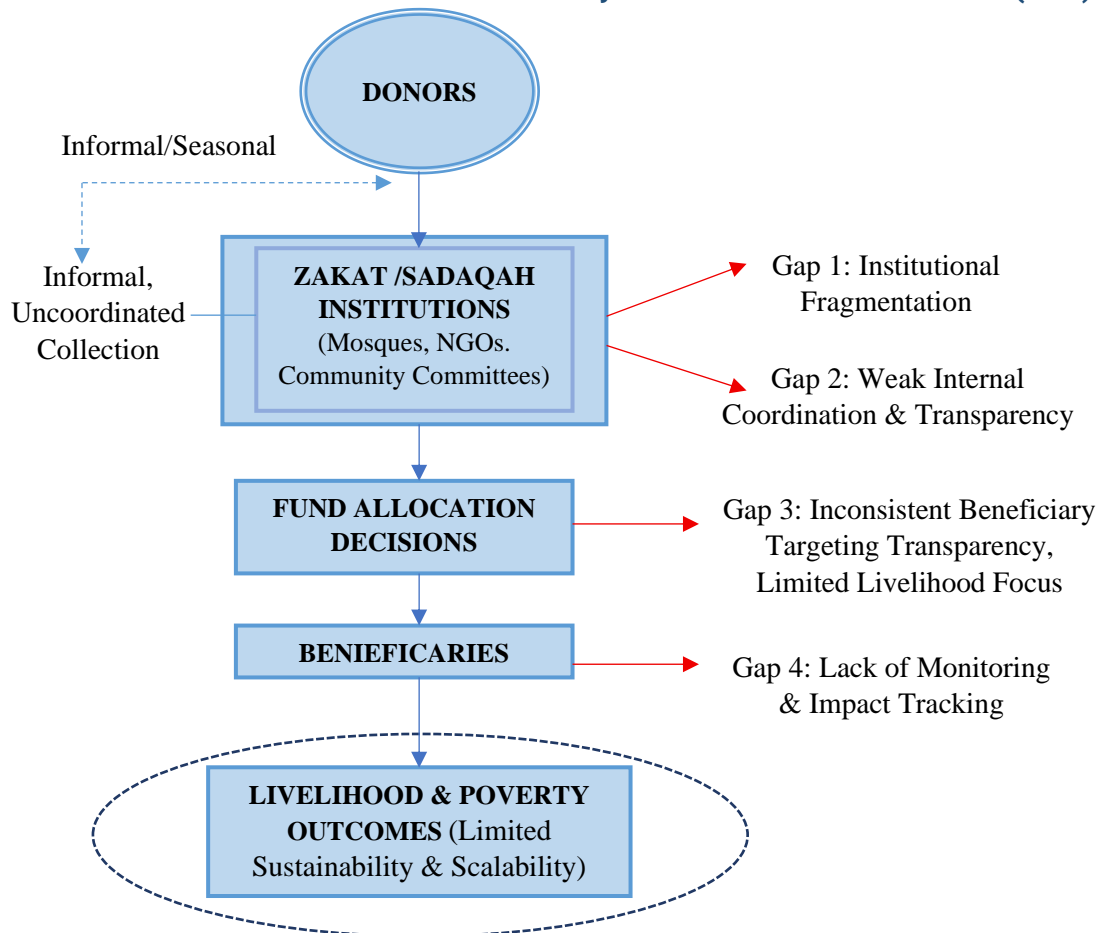
- i. Leadership and Oversight ensure that Zakat committees or institutional boards include qualified members such as Shari'ah scholars, financial experts, and community representatives.
- ii. Standard Operating Procedures (SOPs) establish formal guidelines for collecting, allocating, and disbursing funds. SOPs establish explicit criteria for eligibility, prioritisation, and documentation, thereby reducing confusion and enhancing public confidence.

Monitoring and auditing create internal and external oversight systems. Internal audits help institutions identify errors or irregularities early, while external independent audits boost public accountability. Beneficiary Feedback Mechanisms incorporate recipients' voices into program evaluation, ensuring funds address actual socio-economic needs and enabling institutions to respond to service gaps.

### **e. Gaps in Fund Collection and Distribution**

Despite the strong religious motivation underpinning Zakat and Sadaqah practices, significant gaps persist in their collection and distribution mechanisms in Sri Lanka, limiting their potential contribution to sustainable poverty reduction. Existing literature identifies these gaps as institutional, operational, informational, and coordination-related nature (Figure 2.2).

A primary gap relates to the fragmented and informal institutional landscape of Zakat and Sadaqah administration. While many organisations operate without formal institutions, this informality alone does not necessarily impede effectiveness. Studies from Sri Lanka and comparable Muslim-minority contexts demonstrate that community-based religious institutions often maintain locally grounded mechanisms for beneficiary identification and fund disbursement (Ameer, 2022; Kunhibava et al., 2024). However, the absence of standardised internal governance structures results in wide variations in administrative quality, financial reporting, and accountability practices across institutions (Kahf, 2011; Farooq & Abbas, 2014). This institutional fragmentation weakens collective impact and undermines donor confidence over time.



**Figure 2.2:** Gaps in Zakat and Sadaqah Collection and Distribution System

A second major gap concerns inefficiencies in fund collection methods. Zakat and Sadaqah contributions in Sri Lanka are largely collected through decentralised and seasonal channels, often peaking during Ramadan or crisis periods. Jiffry (2023) documents sharp regional disparities in collections during the COVID-19 pandemic, with some districts experiencing surpluses while others faced shortages. Similar patterns have been observed in other South Asian contexts, where reliance on informal and uncoordinated collection mechanisms leads to volatility and inequitable geographic distribution (Kasri, 2016; Ismail & Possumah, 2019). The absence of pooled funds or inter-institutional redistribution mechanisms exacerbates these imbalances.

A third critical gap lies in beneficiary targeting and fund allocation practices. While many mosque committees and charitable bodies rely on local knowledge to identify recipients, these processes are often undocumented and inconsistent. Empirical studies indicate that without systematic needs assessments or poverty profiling, Zakat funds tend to prioritise short-term consumption support over livelihood-enhancing interventions (Ahmed, 2004; Obaidullah & Shirazi, 2015). As a result, recurring dependency is unintentionally reinforced, limiting the transformative impact of Zakat on long-term income generation.

Closely linked to this is the lack of centralised data systems and monitoring frameworks. Kasjin (2024) emphasises that the absence of integrated databases makes it difficult to track total funds collected, beneficiary coverage, duplication of assistance, and long-term outcomes. International evidence shows that Zakat institutions with digital registries, beneficiary databases, and performance indicators demonstrate higher efficiency, transparency, and developmental impact (Hassan et al., 2019; Zami & Nurhaida, 2025). In Sri Lanka, however, monitoring is often limited to basic record-keeping, with minimal impact evaluation or feedback mechanisms.

Accordingly, there is a significant coordination gap between Zakat institutions and broader development actors. Zakat and Sadaqah initiatives operate largely in isolation from government poverty alleviation programs, NGOs, and livelihood development agencies. While independence from state structures can preserve community trust, the lack of strategic collaboration reduces opportunities for co-financing, technical support, skills training, and market linkages (Gunatilleke & Gunatilleke, 2017; Hassanain, 2015). This disconnect constrains the scalability and sustainability of Zakat-funded livelihood interventions. Taken together, these gaps indicate that the central challenge in Sri Lanka is not merely the absence of formal recognition but rather the lack of structured coordination, standardised internal systems, and data-driven decision-making. Strengthening these dimensions within community-led frameworks can significantly enhance the poverty-reduction impact of Zakat and Sadaqah.

## 2.2 Global Experiences and Best Practices

### Saudi Arabia (KSA)

In the context of Saudi Arabia, several studies examine both individual donor behaviour and institutional structures governing Zakat and Sadaqah. Binsaied (2021) investigates the factors influencing personal intentions to contribute Sadaqah to charities, noting that the rapid expansion of charitable organisations in the Kingdom has strengthened fundraising mechanisms but also introduced new expectations around transparency, digital donation channels, and trust. Complementing this behavioural perspective, Hussein and Osman (2022) analyse Zakat-paying behaviour across gender groups in Jeddah, finding that socio-religious norms, perceived obligation, and institutional efficiency significantly shape compliance and donation patterns.

Saudi Arabia operates the oldest statutory Zakat system, integrating Zakat and taxation under GAZT (Powell, 2010). Business Zakat is compulsory at 2.5 percent, with Zakat certificates required for certain government transactions (Allami, 2015). However, governance issues persist, including vague legal definitions, bureaucratic delays, and inconsistent practices in asnaf

classification. These issues highlight structural constraints that affect transparency and the poverty-alleviation potential of Zakat distribution. From an institutional and regulatory standpoint, Al-Malkawi and Javaid (2018) assess Zakat contributions within the corporate sector in Saudi Arabia. Their findings position Zakat as an important dimension of corporate social responsibility (CSR), with measurable links to financial performance and reputational benefits. Muhammad (2019) further compares high-income Islamic countries, noting that Saudi Arabia's zakat-tax system treats Zakat as an integrated fiscal instrument, though it sometimes overlaps with Sadaqah in reporting and classification. Broader comparative literature illustrates how ZIS instruments contribute to socio-economic justice and financial inclusion beyond Saudi Arabia.

### **Bahrain**

Bahrain's Zakat system is administered by the Ministry of Justice and Islamic Affairs (MJIA), which manages both Zakat and Sadaqah without separating the funds, raising concerns about allocations to non-asnaf (Abdelbaki, 2013). Although MJIA conducts several welfare programmes, public data on Zakat collection and distribution are limited, and statistics are not published on official platforms. Despite the introduction of online payment tools and the Islamiyat mobile app, Bahrain's system remains constrained by low transparency, making it a relevant case for examining administrative inefficiencies in Zakat governance (World Bank, 2018).

### **Brunei Darussalam**

Brunei's Zakat system is overseen by the Islamic Religious Council of Brunei (IRCB), which collects multiple types of Zakat and reported BN\$18,434,856 in 2017 collections (Pelita Brunei, 2018). Although Zakat supports food, education, and medical needs, studies show weak monitoring and limited follow-up on livelihood assistance provided to asnaf (Bashir & Ali, 2012). Improvements in governance have been noted (Ali, 2015), yet Zakat data availability and digital services remain limited. Brunei's model highlights the importance of supervision and capacity-building in maximising Zakat's livelihood impact.

### **Kuwait**

Kuwait employs a dual Zakat governance system, with the Kuwaiti Zakat House (KWH) under MWIA managing traditional Zakat and the Ministry of Finance (MOF) administering mandatory corporate Zakat at 1 percent (Ahmad et al., 2015). Public criticism in 2016 highlighted a lack of reporting and fairness in distribution (Arab Times Online, 2016). While KWH offers online

payment options, comprehensive data remains unavailable. Kuwait demonstrates how fragmented governance and low transparency can hinder effective utilisation of Zakat and Sadaqah for development.

### **Oman**

Oman's Zakat Department collects Zakat on various assets and has modernised its system through an e-Zakat app, online calculations, and real-time reporting of collections and balances. Beneficiaries can apply and track assistance digitally, reducing administrative burden. Programmes include housing, education, and treatment support. Although academic research is limited, Oman's technology-driven approach illustrates how digital governance can enhance efficiency and accessibility in Zakat delivery.

### **Qatar**

Qatar's Zakat Fund administers voluntary Zakat but requires all public companies to contribute 2.5 percent of net profits for welfare-related purposes (Qatar Philanthropy Report, 2016). Despite available online tools, Zakat laws contain vague provisions and limited recent statistics. In 2018, QR13,699,623 was distributed across various assistance schemes (Market Screener, 2018). Qatar's experience shows how unclear regulations and weak disclosure practices can affect trust and effectiveness in Zakat-based livelihood systems.

### **United Arab Emirates (UAE)**

The UAE's Zakat Fund, established in 2003, collects Zakat on income, business, agriculture, and other assets, with UAED190,426,977 collected and UAED195,239,657 distributed in 2017. Its digital payment channels (over 15 methods) and publicly available data indicate strong transparency, yet debates persist regarding recipient eligibility for groups such as orphans and prisoners' families (Allami, 2015). The UAE provides an example of advanced technological systems with ongoing Sharia governance considerations.

### **India**

Studies on India show that Zakat plays an increasingly important role in supporting one of the country's poorest religious communities, Muslims, by contributing to poverty alleviation and aligning with SDG goals (Intezar & Zia, 2022). Zakat and Sadaqah practices in India are predominantly community-driven and decentralised, shaped by informal charitable networks

rather than strong institutional structures. Taylor (2015) notes a revival of Zakat and Sadaqah through ethical, entrepreneur-led initiatives, which often replace traditional waqf-based systems. Overall, the Indian context illustrates how fragmented administration and limited formal mechanisms impact the effectiveness of Zakat in improving livelihoods.

### **Singapore**

In Singapore, Muslim philanthropy is shaped by a strong partnership between the community and the state, resulting in a highly structured and well-regulated Zakat and Sadaqah system. Riyanto, Nizar, and Herningtyas (2021) note that the government plays an active role in overseeing Islamic charitable practices, including Zakat, Infaq, Sadaqah, and Waqf, to ensure proper governance and efficient distribution. Their study highlights that Singapore's Muslim community enjoys relatively high socio-economic stability, yet the potential for Zakat collection remains significant due to effective institutional support. The centralised and state-recognised management of Islamic giving provides a transparent framework that enhances accountability and strengthens welfare outcomes, making Singapore a valuable reference point for understanding how strong governance structures can optimise Zakat and Sadaqah utilisation.

### **South Africa**

Muslim philanthropy in South Africa is characterised by a community-driven and culturally embedded approach to charitable giving, including Zakat and Sadaqah. Mahomed (2023) highlights that Muslim giving in South Africa operates through “embedded philanthropy,” where contributions such as Zakat, Sadaqah, and Qurbani are integrated into everyday social and religious life, rather than through highly formalised institutions. This model reflects the socio-historical experience of Muslims as a minority community navigating economic inequality and structural exclusion. Despite the presence of Zakat trusts and community charities, the system remains fragmented, with distribution largely dependent on voluntary networks and local initiatives. As a result, South Africa illustrates how decentralised and socially embedded philanthropic practices can support welfare needs but also face limitations in scale, coordination, and long-term livelihood impact.

### **Malaysia**

Bremer (2015) introduces a model (Figure 2.3) that shifts Zakat from simple charity to a structured tool for development as a pathway of Zakat for economic development. It discusses three central

debates: whether Zakat should be limited to direct aid or expanded to support development initiatives; whether governments or NGOs should manage it; and whether Zakat funds should cover administrative costs. The model features “Zakat for Development (Z4D),” which emphasises empowerment, skill development, and entrepreneurship rather than short-term relief. In countries such as Malaysia and Indonesia, Z4D has helped achieve sustainable poverty reduction by aligning Zakat with the SDGs (Bremer, 2015).

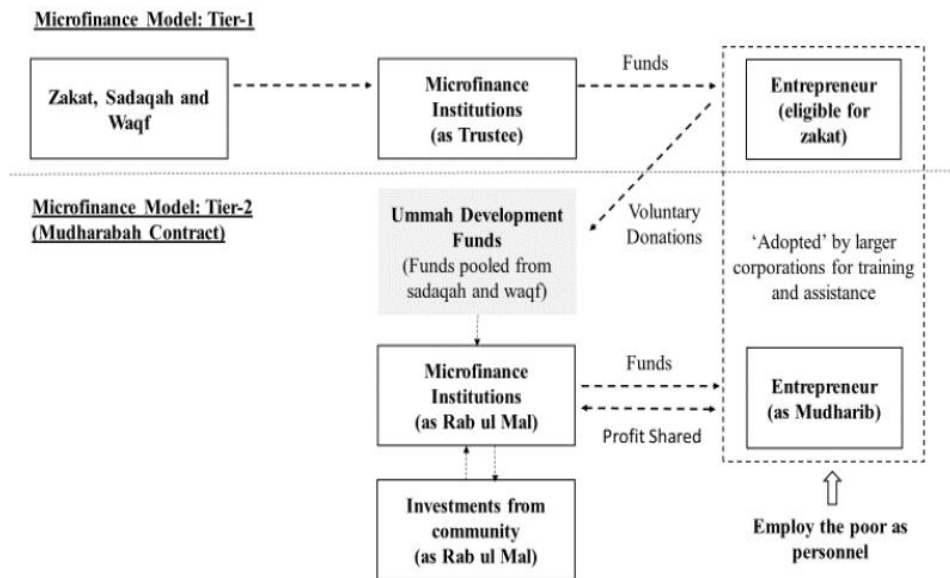


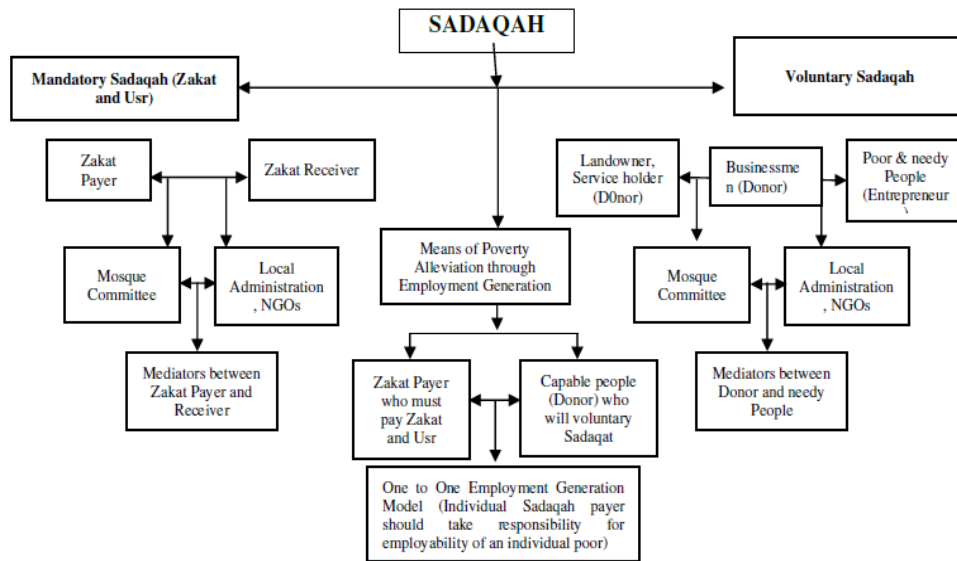
Figure 2.3: Pathways of Zakat for economic development (Bremer, 2015)

Indonesia

Masithoh et al. (2024) explore the ZIS (Zakat, Infaq, Sadaqah) model in Indonesia, demonstrating how both mandatory and voluntary donations can be institutionalised to support sustainable development. The model features a dual system, comprising formal, government-managed institutions, such as BAZNAS, and informal, community-based networks, which collaborate to optimise collection and distribution. ZIS aims to reduce poverty and address broader development issues, including health, education, and inequality. It emphasises transparency, accountability, and digital platforms to build donor trust and track outcomes. In Sri Lanka, where informal mosque committees manage Zakat collection, a similar dual system could be set up, with formal, government-registered organisations operating alongside community groups. This approach could improve compliance and foster local trust, while digital tools could help streamline distribution and reduce duplication. Challenges include low trust in centralised institutions, limited digital infrastructure in rural areas, and political sensitivities related to government involvement in religious charities. Additionally, balancing voluntary contributions, such as Sadaqah, with obligatory Zakat is complex, as voluntary giving tends to be less predictable.

**Bangladesh**

Rahman (2024) describes the Bangladesh model (Figure 2.4), which sees Zakat and Sadaqah as a tool for both immediate relief and long-term development. Based on Quranic principles, it aims to purify wealth and redistribute resources to combat poverty, enhance food security, promote gender equality, and create jobs. The innovative “One-to-One Employment Model” suggests that each donor should generate at least one job, turning charity into a systematic method for employment growth. This approach shows how voluntary and mandatory giving can lead to structural economic change, moving beyond simple relief.



**Figure 2.4:** Zakat and Sadaqah Model for Sustainable Development of Bangladesh (Rahman, 2024)

**Pakistan**

Figure 2.5 illustrates Pakistan’s highly institutionalised Zakat system, comprising five levels: a Central Zakat Council at the national level, Provincial Zakat Councils, District Committees, Sub-District Committees, and Local Committees (Gilani, 2006). This layered structure enables Zakat to be collected centrally, such as through automated bank deductions, and distributed locally, balancing government oversight with community targeting. Local committees play a crucial role in identifying beneficiaries and distributing funds.

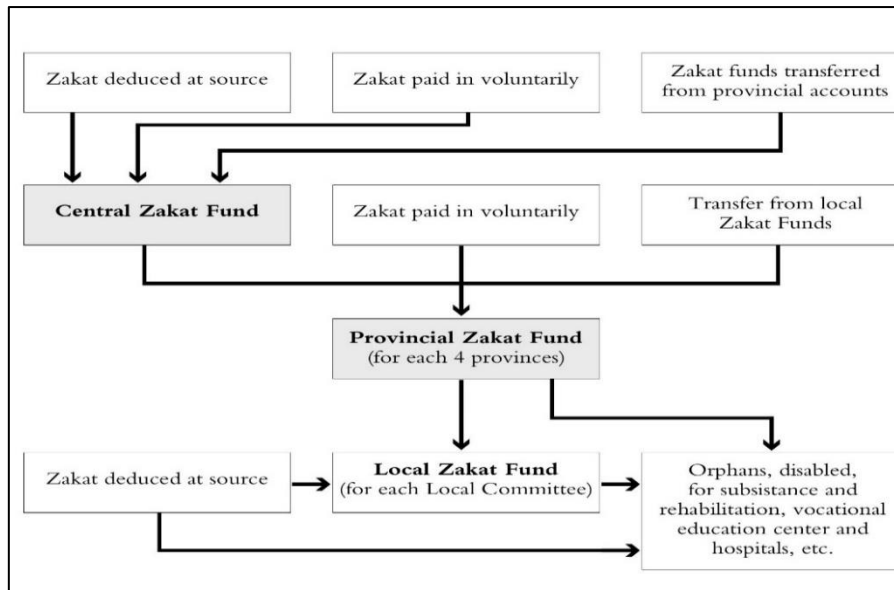


Figure 2.5: Zakat Organisation Model in Pakistan (Gilani, 2006)

### Chapter Summary

This chapter examines current Zakat and Sadaqah practices in Sri Lanka and contrasts them with established global models. In Sri Lanka, beneficiaries typically receive small, irregular transfers, while institutions operate with limited coordination, informal distribution channels, and inadequate monitoring systems. In comparison, countries such as Malaysia, Pakistan, Saudi Arabia, Singapore, Bangladesh, Bahrain, Brunei Darussalam, Kuwait, Oman, Qatar, the United Arab Emirates, India, South Africa, and Indonesia have developed structured, accountable frameworks that systematically channel Zakat into livelihood development and long-term poverty reduction. These international experiences highlight significant opportunities for Sri Lanka to adopt more organised, transparent, and impactful mechanisms for managing Zakat and Sadaqah.

# Chapter 3

## Methodology

### 3.1 Research Design

The study adopts a mixed-methods research design, integrating both quantitative and qualitative approaches to provide a comprehensive understanding of the current Zakat and Sadaqah systems and their potential for poverty alleviation in Sri Lanka. This approach is necessary because the research examines both quantifiable livelihood outcomes and institutional, administrative, and socio-cultural processes that influence fund collection and distribution. This design enables triangulation of data from multiple sources: household beneficiaries, institutional representatives, and key informants, enhancing the validity and reliability of the findings.

The quantitative component captures measurable aspects such as beneficiary profiles, income conditions, and patterns of Zakat and Sadaqah utilisation, enabling comparison across regions and groups. Quantitative data are obtained through structured questionnaires administered to household beneficiaries and institutional representatives. These data provide measurable insights into income patterns, fund utilisation, livelihood improvements, and perceptions of efficiency. Qualitative data, gathered through Key Informant Interviews (KIIs), capture in-depth perspectives, experiences, and contextual factors influencing the administration and impact of livelihood development activities.

The research process follows a sequential approach:

- i. **Need Analysis and Desk Study:** to understand existing knowledge and global practices.
- ii. **Field Data Collection:** to capture real-world evidence from selected districts.
- iii. **Data Analysis and Synthesis:** to integrate quantitative results with qualitative insights.
- iv. **Model Development:** to propose a framework for efficient fund utilisation and implementation of livelihood development.

### 3.2 Study Area and Population

A purposive and stratified sampling approach was adopted to ensure representation across different socio-economic and geographic contexts with significant Muslim populations in Sri Lanka. Districts were selected based on two main criteria:

1. **Proportion of Muslim population** to ensure that Zakat and Sadaqah mechanisms are most active; and
2. **Poverty incidence (Headcount Index, HCI)** to capture areas where poverty alleviation through faith-based funds is most relevant.

The selection criteria are grounded in both the conceptual foundations of Islamic social finance and empirical poverty research. First, the proportion of the Muslim population is a critical criterion because Zakat and Sadaqah are faith-based obligations practised within Muslim communities; higher concentrations increase the likelihood of active collection systems, institutional presence (mosques, charitable bodies), and regular fund flows. Studying districts with significant Muslim populations, therefore, ensures the relevance and operational validity of examining Zakat and Sadaqah mechanisms. Second, poverty incidence (measured by the Poverty Headcount Index) is a central criterion because the primary objective of Zakat and Sadaqah is poverty alleviation and livelihood support for eligible beneficiaries. Selecting districts with varying levels of poverty allows the study to assess how effectively these funds are targeted and utilised in both high-need and relatively low-poverty contexts. Together, these criteria enable a context-sensitive analysis of Zakat and Sadaqah systems by aligning religious practice intensity with socio-economic need, thereby strengthening the analytical rigour and policy relevance of the study.

The selected districts, Ampara, Puttalam, Kandy, Batticaloa, and Colombo, represent a cross-section of urban, semi-urban, and rural communities with varied economic profiles and levels of institutional organisation. The distribution of the Muslim population and poverty indicators for these districts is shown below.

**Table 3.1:** Socio-Economic Justification for Sample Districts

S.No	Sample Location	Muslim Population	Muslim Population (%)	Poverty Headcount Index (HCI) %
1.	Ampara	245,179	41.3	17.2%
2.	Puttalam	134,643	19.0%	10.5%
3.	Kandy	173,590	13.6	14.3%
4.	Batticaloa	133,939,	25.51%	20.8%
5.	Colombo	241,944	10.7	2.3%

*\*HCI = Poverty Headcount Index, source: Department of Census and Statistics, Sri Lanka (2019); Muslim population figures derived from Census of Population and Housing (2012) and updated district projections.*

The table above illustrates the demographic and poverty context underpinning the sample selection. The inclusion of districts with diverse socio-economic characteristics allows the study to examine variations in fund distribution mechanisms, beneficiary targeting, and the overall impact of *Zakat* and *Sadaqah* systems across different contexts in Sri Lanka. This mix ensures both representativeness and analytical depth, strengthening the external validity of the findings.

### 3.3 Sampling Methods and Sample Size

A purposive sampling technique is employed to select respondents who are directly involved in or affected by *Zakat* and *Sadaqah* mechanisms. In regions with larger populations, cluster sampling is used to identify sub-areas with active community-based fund management, followed by Stratified random sampling to ensure inclusion of varied demographic groups. The total sample size is 185 respondents (Table 3.2), distributed as follows:

**Table 3.2:** Sampling Methods and Sample Size

Stratum	District	Sample Size	Sampling Method
<b>A. Beneficiaries (Questionnaire I)</b>	Ampara	20	<b>Stratified random sampling:</b> includes different income levels and genders within selected beneficiaries
	Puttalam	20	
	Kandy	20	
	Batticaloa	20	
	Colombo	25	
	<b>Subtotal</b>		
<b>B. Fund Administrators / Institutions (Questionnaire II)</b>	Ampara	5	<b>Purposive sampling:</b> target key mosques, Islamic NGOs, and active Zakat/Sadaqah programs
	Puttalam	5	
	Kandy	5	
	Batticaloa	5	
	Colombo	10	
	<b>Subtotal</b>		
<b>C. Community Stakeholders (KII – Key Informant Interviews)</b>	Ampara	5	<b>Purposive sampling:</b> local leaders, NGO heads, government officers (GN, DS)
	Puttalam	5	
	Kandy	5	
	Batticaloa	5	
	Colombo	10	
	<b>Subtotal</b>		
<b>Grand Total (All Samples)</b>		<b>185</b>	

The household questionnaire collects demographic, socio-economic, and livelihood-related information to understand how Zakat and Sadaqah translate into tangible outcomes. Questions on income, expenditure, and fund utilization are informed by evidence that poverty among Sri Lanka's Muslim communities is exacerbated by limited access to sustainable livelihoods (Department of Census and Statistics Sri Lanka, 2023; Gunatilleke & Gunatilleke, 2017) and those charitable funds are often underutilised due to informal distribution mechanisms (Farooq & Abbas, 2014; Ismail & Possumah, 2019). By identifying challenges in accessing funds, preferred support mechanisms, and perceptions of institutional effectiveness, the questionnaire aligns with literature emphasising the importance of structured, culturally appropriate interventions for poverty reduction (Ahmed, 2004; Obaidullah, 2016; Hassan et al., 2019)

The institutional questionnaire examines fund management, accountability, collaboration, and program outcomes. This is supported by studies showing that operational inefficiencies, lack of transparency, and weak inter-organisational coordination limit the impact of Islamic social finance on livelihood development (Mohieldin et al., 2011; Gunatilleke & Gunatilleke, 2017). Capturing successes, bottlenecks, and recommendations through this questionnaire informs the design of transparent, scalable frameworks for using Zakat and Sadaqah to support sustainable livelihoods (Ismail & Possumah, 2019; Widger & Osella, 2021)

### 3.4 Key Informant Interviews (KIIs) - Major Institutions and key stakeholders in the relevant field in Sri Lanka

Semi-structured interviews are conducted with key informants, including:

- Community stakeholders
- Officials from NGOs and development agencies (government and non-government)
- Academics and policymakers specialising in Islamic finance or social welfare

These interviews provide qualitative insights into institutional practices and regulatory frameworks.

### 3.5 Data Analysis Methods

Data analysis follows both quantitative and qualitative procedures:

- **Quantitative Data:** Responses from beneficiary and institutional questionnaires are coded and analysed using statistical tools. Descriptive statistics (mean, frequency, percentage) are used to summarise data on income levels, fund utilisation, and perceptions of effectiveness. Comparative analysis across districts identifies trends and variations in outcomes.

- **Qualitative Data:** KIIs and open-ended questionnaire responses are transcribed and subjected to **thematic analysis**. Emerging themes related to transparency, effectiveness, and community engagement are categorised and interpreted to complement quantitative results.

### 3.6 Model Development

The development of the proposed Zakat and Sadaqah-based Livelihood Enhancement Model followed a systematic, theory-informed, and empirically grounded methodological process.

#### 3.6.1 Conceptual Framework Formulation

The initial stage involved constructing a conceptual framework grounded in Islamic social finance principles, particularly the normative foundations of Zakat and Sadaqah as outlined in the Qur'ān (Sūrah al-Tawbah 9:60) and classical jurisprudence. The framework emphasised three interrelated dimensions: Shari'ah compliance, socio-economic effectiveness, and institutional governance. Global best practices in Zakat administration and livelihood support, particularly from Muslim-majority contexts, were synthesised with Sri Lanka's socio-economic and institutional realities identified through the desk review.

#### 3.6.2 Empirical Grounding through Field Evidence

Primary data collected through beneficiary surveys, key informant interviews, focus group discussions, and institutional questionnaires were systematically analysed to inform the model structure. Quantitative data highlighted poverty profiles, income vulnerabilities, and livelihood needs, while qualitative data revealed administrative inefficiencies, beneficiary selection challenges, and monitoring gaps within existing Zakat and Sadaqah practices. The integration of these data sources ensured that the model was responsive to real-world constraints and opportunities.

#### 3.6.3 Gap Analysis and Structural Design

A comparative gap analysis was conducted between existing Zakat-Sadaqah practices and the conceptual framework. Key deficiencies identified included fragmented fund management, limited utilisation of Zakat for productive livelihood activities, weak coordination among institutions, and the absence of standardised monitoring mechanisms. In response, the model was structured into sequential and interlinked components: fund mobilisation, beneficiary identification, livelihood intervention planning, fund disbursement, and post-disbursement monitoring.

### 3.6.4 Institutional and Governance Architecture

The model incorporates a clearly defined institutional and governance structure, specifying the roles and responsibilities of mosques, charitable organisations, community-level committees, and supporting technical actors. Mechanisms for transparency, accountability, and documentation, such as eligibility verification, fund tracking, reporting protocols, and internal controls, were embedded to enhance credibility and operational efficiency.

### 3.6.5 Integration of Monitoring and Evaluation Framework

A results-based Monitoring and Evaluation (M&E) framework was embedded within the model at the design stage. This framework outlines key performance indicators related to livelihood outcomes, income stability, beneficiary progression, and institutional accountability. The inclusion of M&E mechanisms ensures that the model is implementation-ready and capable of supporting future impact assessments.

### 3.7 Ethical Considerations

The study strictly adheres to ethical standards in social science research.

- **Informed Consent:** All participants are fully briefed on the purpose of the study and voluntarily consent to participate.
- **Confidentiality:** Respondent identities and institutional data are anonymised to protect privacy.
- **Data Integrity:** Information collected is used solely for research purposes and stored securely to prevent unauthorised access.

All participants will be selected through voluntary informed consent, with guarantees of confidentiality and anonymity. Ethical approval and oversight are ensured through the CAP, which monitors compliance with research integrity principles.

# Chapter 4

## Findings of the Study

This chapter presents an integrated analysis of the data collected from three sources: beneficiary surveys, institutional questionnaires, and key informant interviews (KIIs). The purpose is to identify patterns, gaps, and opportunities in the current Zakat and Sadaqah systems and to understand how these mechanisms can be optimised to support sustainable livelihood activities among Muslim communities in Sri Lanka.

The analysis combines quantitative data from structured questionnaires and qualitative data from interviews and field observations.

### 4.1 Beneficiary Survey Analysis (Questionnaire I)

#### 4.1.1 Demographic Profile of Respondents

The demographic characteristics of the 125 beneficiaries provide a critical foundation for understanding how Zakat and Sadaqah can be optimised for livelihood enhancement.

**Table 4.1:** Demographic characteristics of respondents

Variable	Response	Total	Percentage %
<b>Age</b>	15-30	31	24.8
	31-45	33	26.4
	46-60	39	31.2
	60+	22	17.6
<b>Gender</b>	Male	78	62.4
	Female	47	37.6
<b>Marital Status</b>	Single	28	22.4
	Married	56	44.8
	Widowed	21	16.8
	Divorced	20	16.0

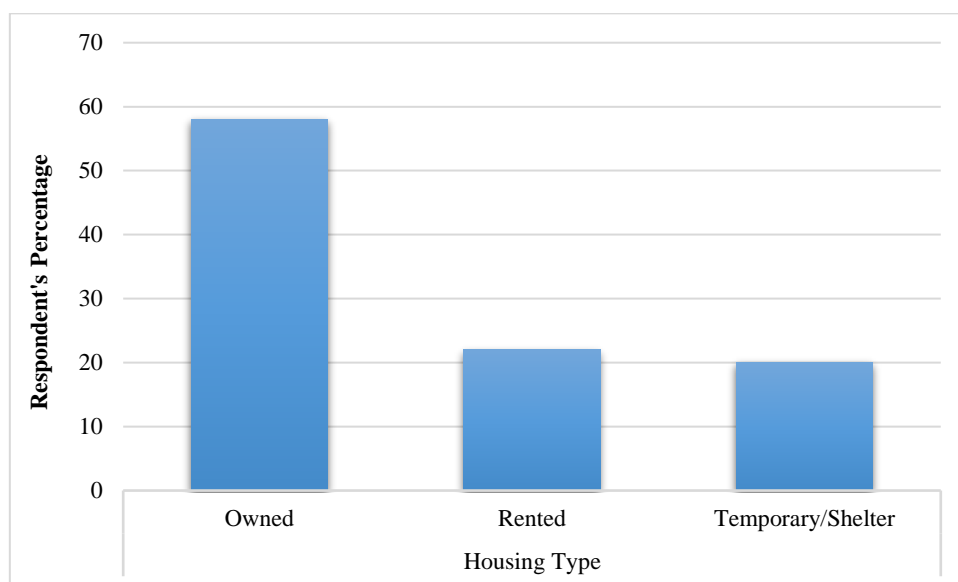
Source: Questionnaire I, 2025

Table 4.1 presents the demographic characteristics of the respondents. The age distribution shows that the majority of beneficiaries fall within the economically active age groups, with 31.2%

aged 46-60, 26.4% aged 31-45, and 24.8% aged 15-30, while 17.6% are above 60 years. This indicates strong potential for Zakat and Sadaqah to support livelihood-oriented interventions rather than only short-term assistance.

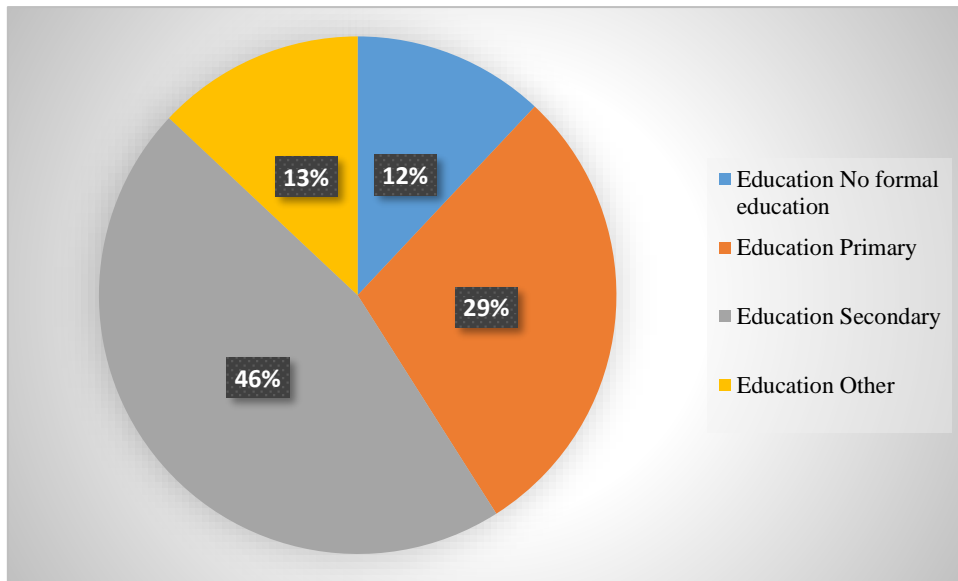
Gender-wise, males constitute 62.4% of respondents, compared to 37.6% females, highlighting the need for gender-responsive livelihood support. Marital status reveals that 44.8% are married, while a considerable proportion are widowed (16.8%) or divorced (16.0%), reflecting vulnerable household conditions that warrant targeted Zakat and Sadaqah-based livelihood and welfare interventions.

Housing data show (figure 4.1) that 58% own their homes, while 22% rent and 20% live in temporary or shelter housing. Although ownership suggests a degree of asset stability, nearly half of the respondents face some level of housing insecurity, which directly impacts their capacity to engage in consistent livelihood activities.



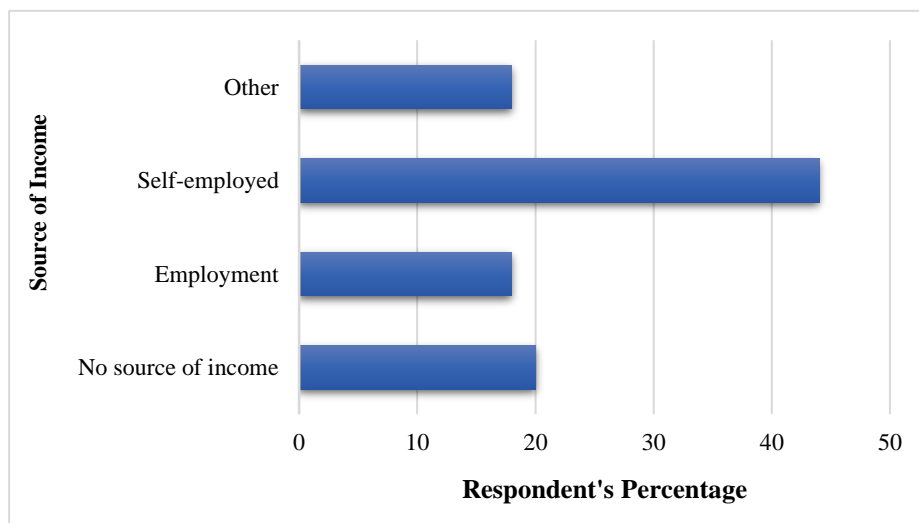
**Figure 4.1:** Type of beneficiaries' housing (Questionnaire I, 2025)

In terms of education (Figure 4.2), 46% of respondents have secondary-level education, 29% have primary-level education, 12% have no formal education, and 13% fall into other categories. This educational profile indicates low-to-moderate human capital, emphasising the need for skill development, vocational training, and literacy initiatives to complement financial aid in achieving sustainable poverty reduction.



**Figure 4.2:** Education level of beneficiaries (Questionnaire I, 2025)

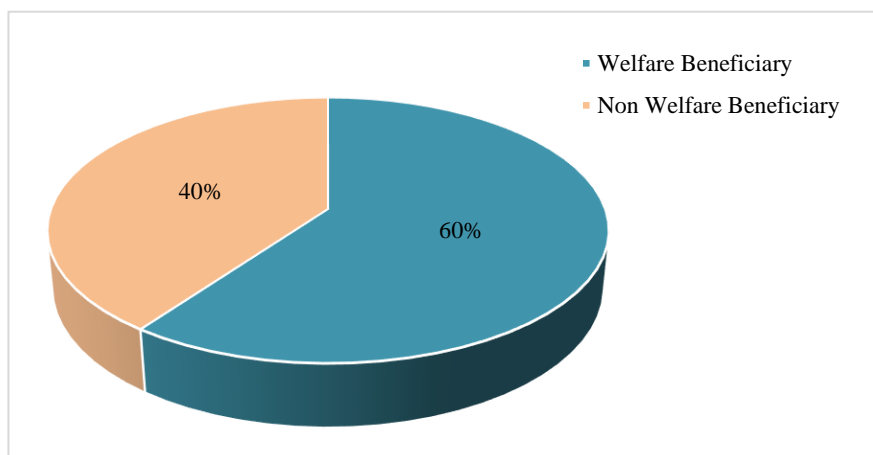
Analysis of beneficiaries’ income sources reveals (Figure 4.3) that 44% are self-employed, 18% are formally employed, another 18% depend on other irregular income sources, and 20% have no source of income.



**Figure 4.3:** Primary Source of Income of Beneficiaries (Questionnaire I, 2025)

This distribution highlights a predominantly informal and unstable economic base, where most respondents rely on small-scale or casual self-employment for survival. The relatively high proportion without any income underscores chronic underemployment and economic vulnerability among the target population. These findings emphasise the necessity of structured livelihood programs, including microenterprise support, vocational training, and financial literacy initiatives within Zakat and Sadaqah frameworks to strengthen income stability and reduce dependency on charitable transfers (KII, 2025).

The analysis of government welfare participation reveals (Figure 4.4) that approximately 60% of respondents are beneficiaries of programs such as Samurdhi, Aswesuma, or disability allowances, while 40% receive no state assistance. This distribution indicates a high degree of dependency on public welfare mechanisms, underscoring the economic vulnerability of the surveyed population.



**Figure 4.4:** Government welfare Beneficiary Status (Questionnaire I, 2025)

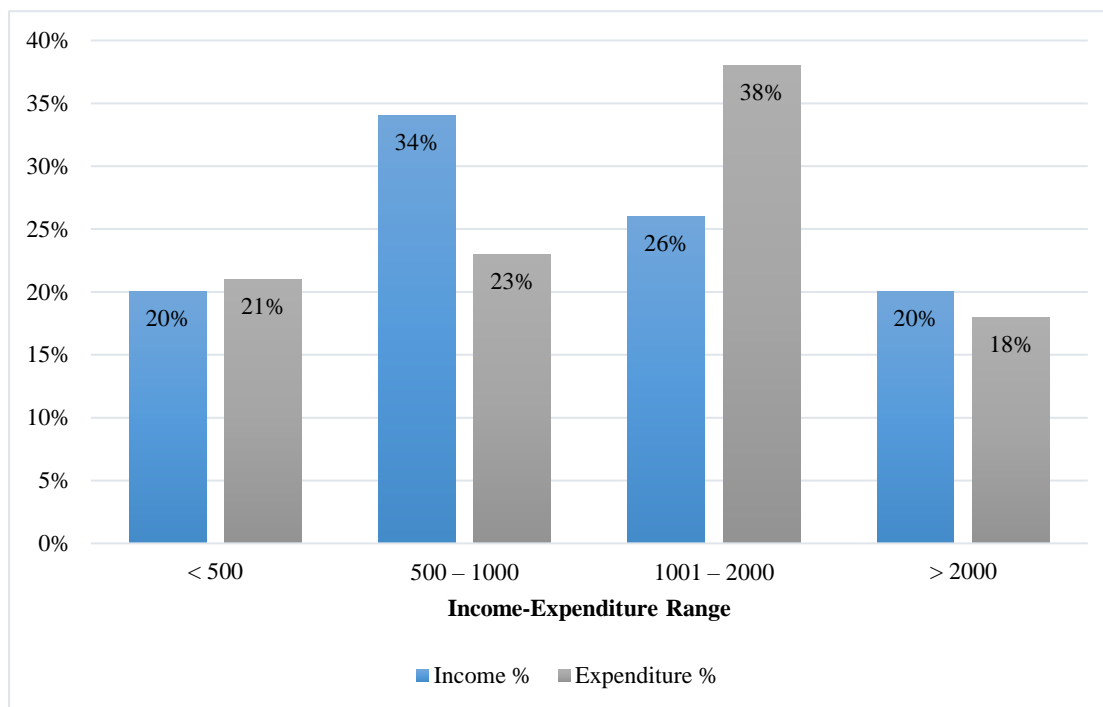
From a developmental perspective, this reliance reflects a short-term relief orientation rather than sustainable income generation. The findings demonstrate that state welfare has limited capacity to foster self-reliance, and that Zakat and Sadaqah, if structured systematically, can serve as complementary instruments for transitioning households from welfare dependence to economic empowerment. In essence, the overlap between state-supported welfare and faith-based charity highlights the integration of Zakat and Sadaqah into livelihood development programs that build skills, assets, and microenterprise potential, thereby promoting long-term socio-economic resilience rather than recurrent dependency.

### Income and Expenditure Level

The graph indicates that 20% of beneficiaries earn less than LKR 500 per day, and 21 % of respondents have expenditures below that amount. This small gap suggests that families earning less than LKR 500 operate under extremely tight budgets, where even basic consumption nearly equals their income. To cope with limited resources, such households often resort to strategies like reduced food intake or shared living arrangements. In the LKR 500-1000, 34 % of respondents report income, compared to only 23 % reporting expenditure. This suggests that households in this range attempt to limit their daily spending to avoid debt. They appear to have a slightly higher earning capacity, but their controlled spending indicates limited savings opportunities and

vulnerability to unexpected expenses. Interviews showed that unforeseen health or educational expenses often force these families into temporary borrowing or seeking community assistance.

The income- expenditure comparison shown in Figure 4.5 reveals significant imbalances across the four household categories.



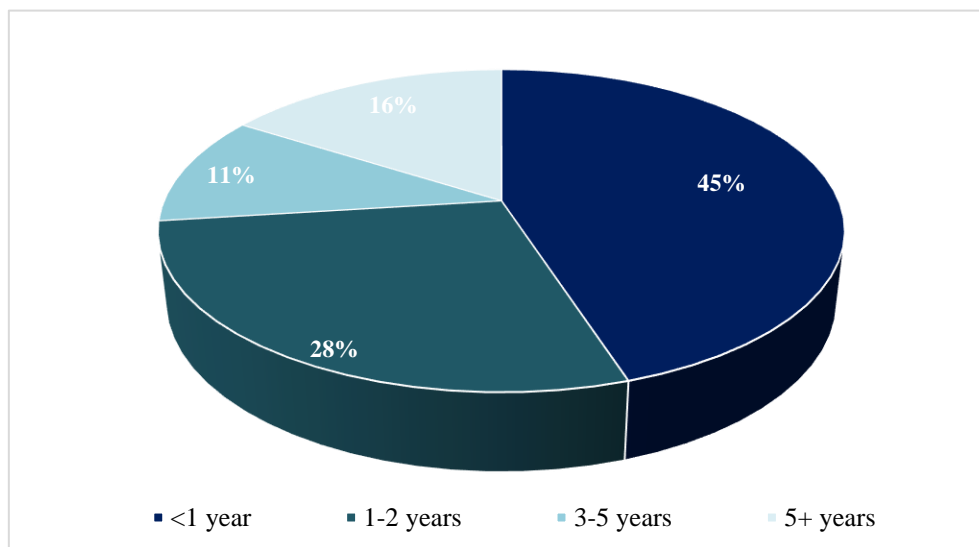
**Figure 4.5:** Beneficiaries' Income & Expenditure level (Questionnaire I, 2025)

Conversely, in the LKR 1001-2000 category, 26 % report income, while 38% report expenditure. This discrepancy indicates many households are earning less than they spend, reflecting a structural deficit. These households are under heavy financial strain, relying on credit, informal loans, or delayed bill payments to meet basic needs. The income-expenditure gap here signals severe economic pressure and a lack of financial buffers. For those earning more than LKR 2000, income slightly exceeds expenditure; 20% of the income group spends 18%, indicating only a marginal surplus within this small segment. However, this surplus is insufficient for substantial savings or upward economic mobility. Overall, the income-expenditure patterns across all categories show that most households are living at subsistence levels or just above, with limited capacity for reinvestment or financial stability in their businesses (KII, 2025). The high incidence of income deficit, especially in the medium expenditure groups, explains the continued reliance on external aid.

#### 4.1.2 Current Status of Zakat and Sadaqah

##### Duration of receiving Zakat or Sadaqah

The survey (Figure 4.6) reveals 45% of recipients were given Zakat or Sadaqah assistance for less than a year, 28% for 1–2 years, and 16% for over five years.



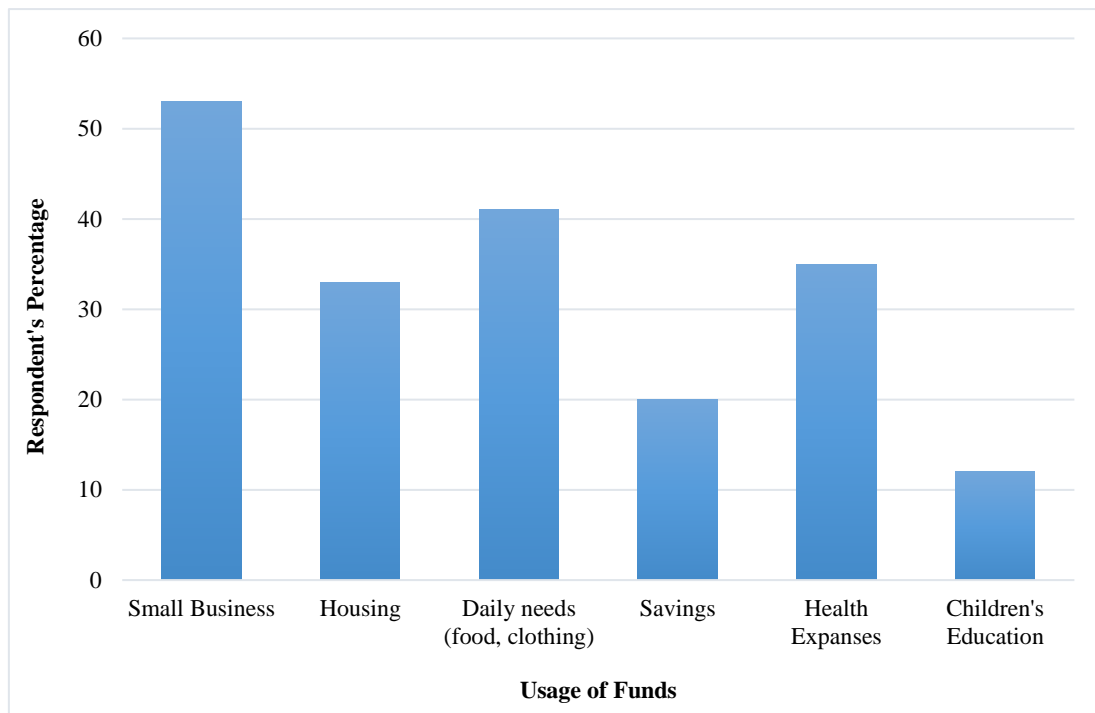
**Figure 4.6:** Welfare Receiving Duration (Questionnaire I, 2025)

This shows nearly half of the recipients are given one-time or limited-term assistance, showing the absence of long-term engagement. The "less than one year" respondents indicated receiving minor cash or goods primarily during Ramadan and described the support as seasonal rather than developmental.

They also indicated that receiving sporadic support, but without clearly stated follow-up or renewal conditions. Beneficiaries who had been receiving Zakat for three or more years reported more noticeable improvements in their livelihoods, as they were able to invest in business equipment, livestock, or business activities. However, even in this category, no organised guidance or planning of businesses existed (KII, 2025). The overall trend is that, despite the noble intention of helping the poor, the absence of planning and monitoring has made the long-term efficiency of Zakat and Sadaqah contributions less than ideal.

##### Usage of Zakat & Sadaqah Funds

The survey (Figure 4.7) found that 53% of respondents utilised Zakat or Sadaqah funds for small business activities, 40% used the funds for children's education, 33% for housing and healthcare, and 41% for basic consumption needs.

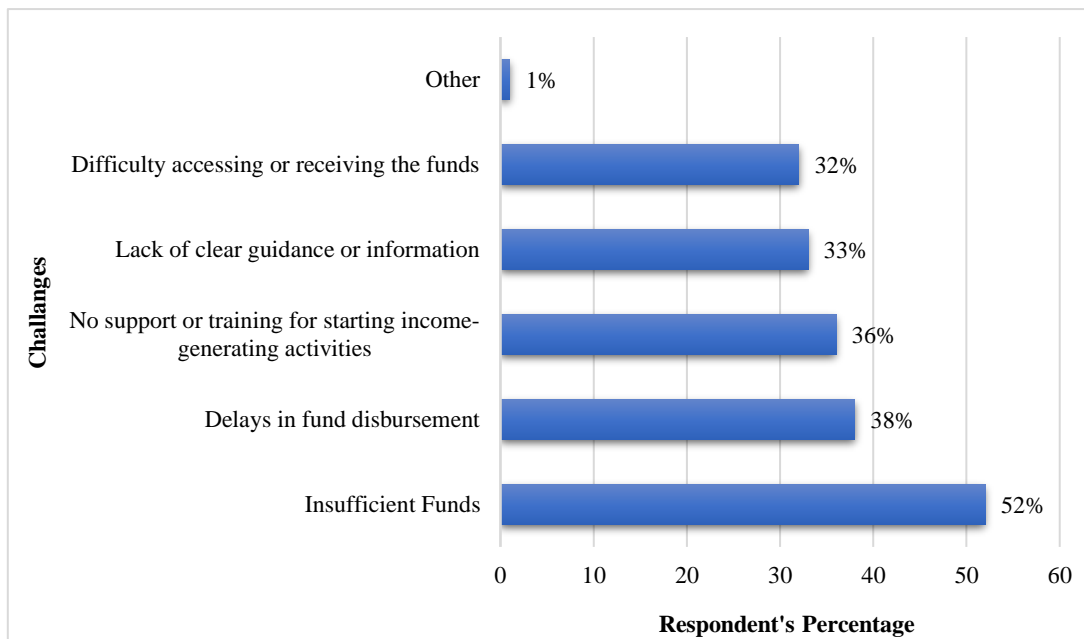


**Figure 4.7:** Usage of Zakat Funds (Questionnaire I, 2025)

The dominant use for small businesses demonstrates that more than half of the beneficiaries are trying to use religious charity for productive purposes. Respondents in this category commonly mentioned purchasing materials for tailoring, grocery items, or small-scale trading. The 12% who invested in education reported spending primarily on children’s school fees or university costs, reflecting a long-term orientation toward breaking the poverty cycle. The mixed spending patterns show that while many beneficiaries aim for productivity, the lack of capital size, business training, and follow-up restricts the transformative potential of the funds.

**Challenges of effectively using Zakat and Sadaqah funds for livelihood improvement**

According to respondents (Figure 4.8), the main issues included: Inadequate funding (52%), Distribution delays (38%), No advice on how to use it (33%), and Inability to access (32%). The majority of those interviewed pointed out that the amount of money they got was too little to initiate and maintain any serious livelihood practices. The problem of delay in the receipt of funds was a cause of uncertainty, particularly for those who relied on the funds as business capital or emergency situation.



**Figure 4.8:** Challenges using Zakat and Sadaqah funds for livelihood improvement (Questionnaire I, 2025)

Other challenges, such as the need for mentorship and financial advice to spend the funds for livelihood development activities, were also pointed out by some respondents as challenges, such as favouritism, lack of transparency, and no follow-up and one-time funding assistance. All these responses can be used as evidence of weaknesses in the administrative and operational systems of the current Zakat system (KII, 2025). These concerns can be resolved by a systematic monitoring and communication procedure that would lead to improved future distributions in terms of trust and efficiency.

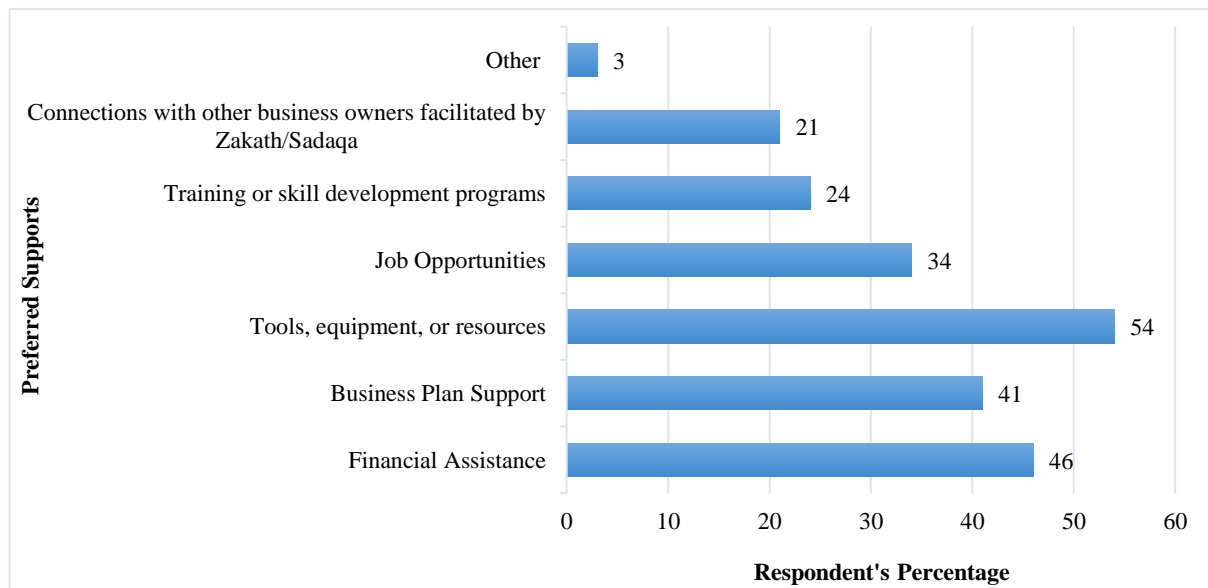
#### 4.1.3 Current Livelihood and Potential

##### Preferred Forms of Livelihood Support

The results (Figure 4.9) indicate that respondents view Zakat and Sadaqah as potential enablers for productive and empowerment-oriented support, rather than short-term relief. A majority (54%) of respondents expressed a preference for tools, equipment, or physical resources such as sewing machines, fishing nets, carpentry tools, or small shop materials to facilitate sustainable self-employment.

Approximately 46% favoured direct financial assistance to start or expand small businesses, emphasising the role of capital access in enhancing income opportunities. Another 24% highlighted the need for training and skill development programs, focusing on areas such as business planning, marketing, and technical skills that could strengthen their entrepreneurial

capacity. 34% of respondents preferred job placement or linkage support, indicating interest in structured pathways to stable employment.



**Figure 4.9:** Preferred Support for livelihood benefits (Questionnaire I, 2025)

A smaller segment mentioned “other” priorities, primarily education support for children and housing improvements, reflecting the multidimensional nature of poverty among beneficiaries. Collectively, these findings reveal a shifting perception of charity from consumption-based relief to productive empowerment. Beneficiaries increasingly recognise Zakat as a transformative development instrument, capable of fostering self-reliance and long-term livelihood security when integrated with skill training and resource provision.

**Livelihood Interests and Entrepreneurial Aspirations**

A significant proportion expressed interest in services such as tailoring, carpentry, or transport (29%), handicrafts or home-based production (45%), food-related enterprises including catering or food stalls (35-44%), and small retail trading or shop operations (44%). These preferences indicate that microenterprise and self-employment opportunities are perceived as viable and desirable means of improving income among beneficiaries. A smaller segment (12%) reported no interest in starting or expanding a business, primarily consisting of elderly persons, widows, or individuals with health limitations. Some respondents also cited previous business failures or lack of confidence as constraints to entrepreneurial participation (KII, 2025).

The analysis of respondents’ preferences regarding potential livelihood activities (Figure 4.10) reveals a strong inclination toward entrepreneurial engagement using Zakat-based support.

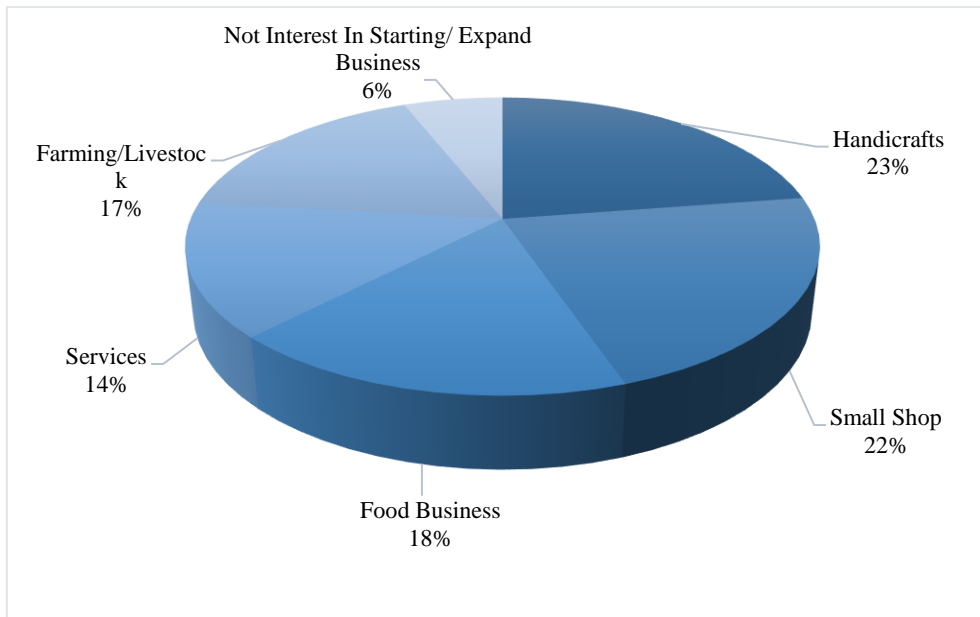


Figure 4.10: Livelihood Preferences using Zakath/Sadaqah (Questionnaire I, 2025)

Spatial Distribution of Identified Livelihood Potentials

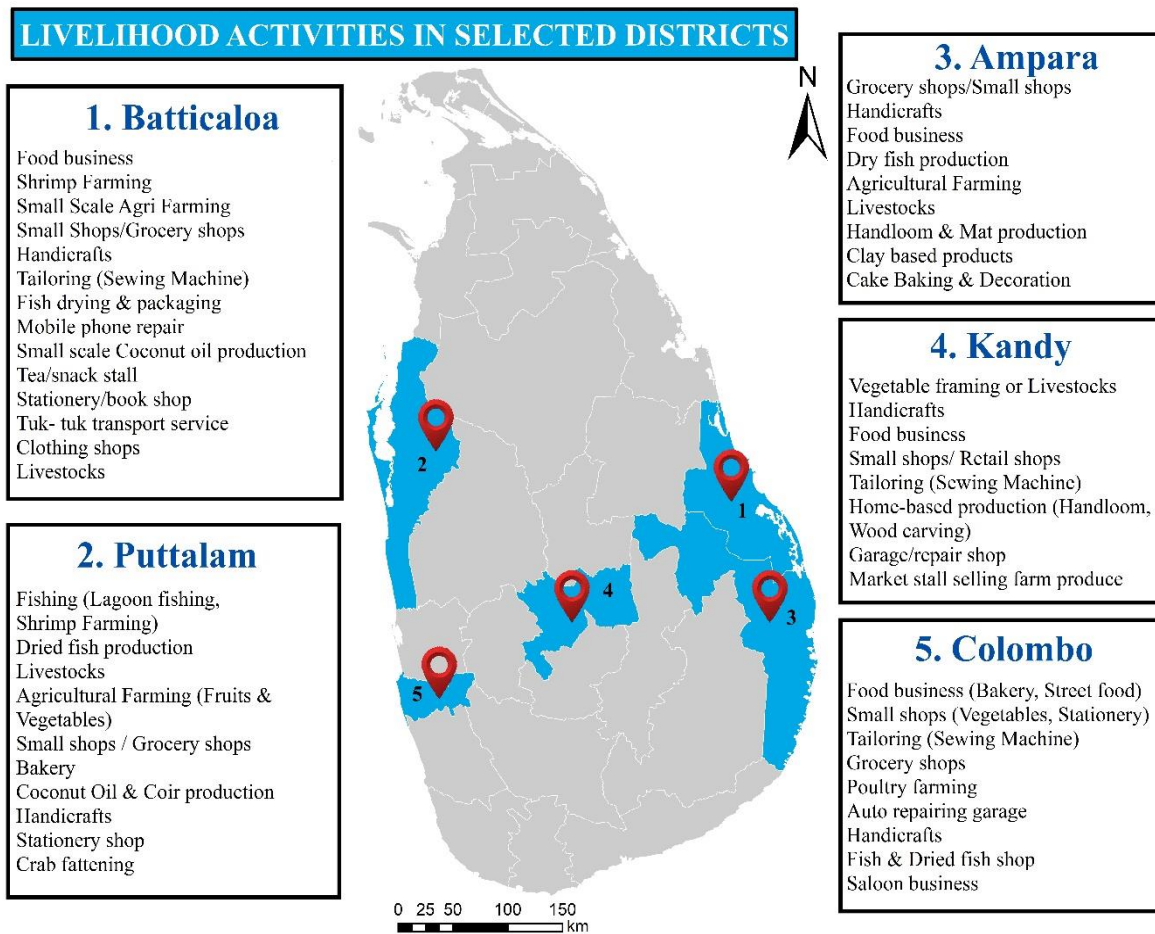


Figure 4.11: Livelihood Activities in Selected Districts (Questionnaire I, 2025; Desk Review, 2025; KII, 2025)

The spatial analysis and field data revealed distinct livelihood potentials across the five selected districts, Batticaloa, Ampara, Colombo, Kandy, and Puttalam, each shaped by its socio-economic and cultural context.

The mapping exercise (Figure 4.11) illustrates localised clusters of viable income-generating activities that can be supported through *Zakat* and *Sadaqah* mechanisms to promote sustainable livelihood activities. Across all locations, the study confirms that effective livelihood development requires moving beyond one-time aid toward a structured support mechanism encompassing beneficiary targeting, skills assessment, enterprise training, mentorship, and continuous monitoring.

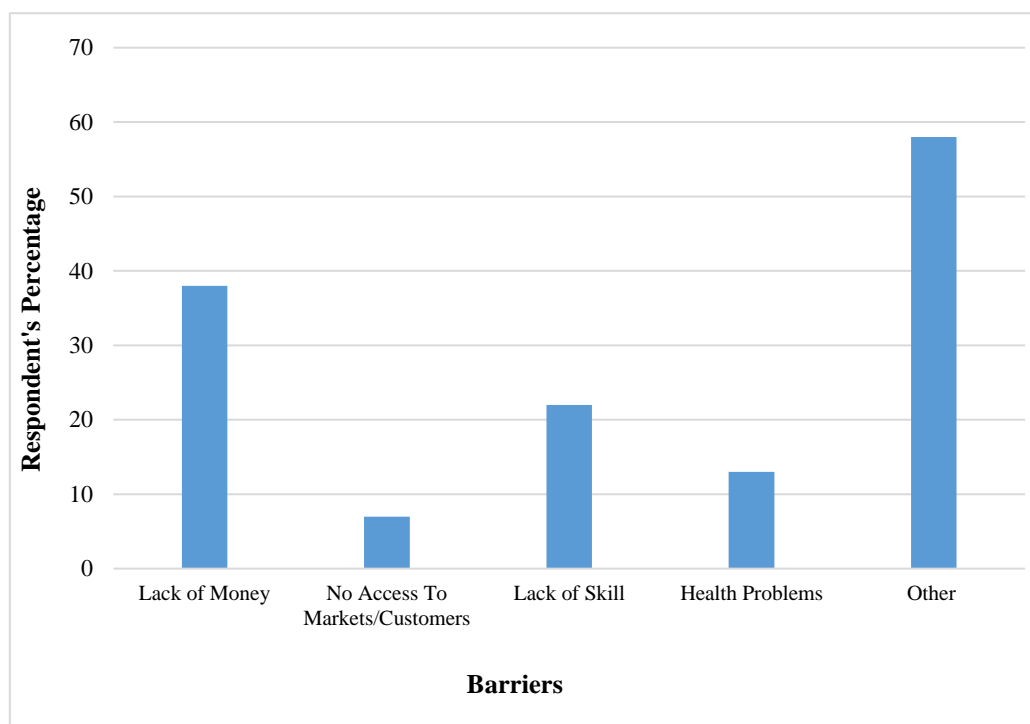
#### 4.1.4 Awareness of Institutions Providing Zakat and Sadaqah Support

The analysis of beneficiary responses indicates that institutional awareness of Zakat and Sadaqah funds to utilise for the livelihood activities remains largely localised. Approximately 65% of respondents identified mosque-based Zakat committees or regional religious bodies as the main channels of charitable assistance in their communities. Only a limited number, less than 20%, were familiar with larger formal organisations such as the CBMF or Muslim Aid Sri Lanka (MASL), while about 15% reported having no awareness of any organised institution managing such funds (KII, 2025).

Mosques were consistently mentioned as the most trusted and accessible sources of Zakat distribution. Respondents emphasised that mosque committees manage the annual collection and disbursement process based on local knowledge of needy households. While this community-based approach ensures social trust and immediacy, it often lacks formal record-keeping, transparency mechanisms, and linkage to livelihood initiatives. These findings underscore that faith-based social finance in Sri Lanka remains highly decentralised, with most beneficiaries engaging only through localised mosque networks rather than coordinated institutional systems.

## Obstacles to Developing Livelihood Activities

The analysis of respondents' livelihood aspirations reveals a strong orientation toward economic self-reliance and business expansion within the next five years (Figure 4.12). Most beneficiaries expressed intentions to start or grow small enterprises, particularly in sectors such as retail trade, tailoring, food production, and agriculture. Others prioritised improving household stability through education for children, better housing, or vocational training to diversify income sources.



**Figure 4.12:** Barriers faced by beneficiaries to developing livelihood activities (Questionnaire I, 2025)

However, respondents also identified several barriers constraining their ability to achieve these goals. The survey highlighted the following as major obstacles: lack of sufficient funds (38%), limited skills or business knowledge (22%), health-related challenges (13%), restricted market access or customer networks (13%), and other specific livelihood constraints (58%). These “other” issues included the absence of essential tools and equipment such as sewing machines, ovens, fishing nets, boats, cages, or drying racks; raw materials; high tuition expenses; and limited veterinary or agricultural support, all of which hinder the sustainability of small-scale income activities.

The most critical limitation identified was insufficient financial capital, which restricts beneficiaries' capacity to start, stabilise, or expand microenterprises. Inadequate competencies, particularly in marketing, record-keeping, and production management, further reduce the efficiency of fund utilisation and profitability (KII, 2025).

Collectively, these findings suggest that although the motivation for livelihood advancement is high, the transition from welfare dependency to sustainable entrepreneurship requires an integrated support model. This model should combine Zakat and Sadaqah-funded financial assistance with vocational training, market linkage, and business advisory services, thereby addressing both capital and capacity gaps simultaneously. Such an approach would transform faith-based charity into a development-oriented mechanism for poverty alleviation and long-term community empowerment.

### 4.2 Analysis of the Existing Institutional System (QII)

The institutional survey aimed to understand how organisations currently collect, allocate, and assess beneficiaries' *Zakat* and *Sadaqah* funds, particularly regarding their utilisation for livelihood-oriented projects. Responses were collected from 30 institutional representatives, including mosque committees, local NGOs, and community welfare organisations across the five study districts.

#### 4.2.1 Implementation of Livelihood Projects

In response to the question on whether institutions have implemented livelihood projects or initiatives using Zakat or Sadaqah funds, the analysis shows that a majority of organisations, approximately 72%, have carried out some form of activity related to welfare or income generation. However, these initiatives are often broad in nature and extend beyond direct livelihood development to include multiple dimensions (socio-economic) of community welfare and support.

Most institutions reported that Zakat and Sadaqah resources are primarily used for general assistance purposes, such as disaster relief, marriage support, medical and rehabilitation aid, orphan care, and the provision of wheelchairs and seasonal Ramazan food packs. These activities serve as essential humanitarian interventions that meet the immediate needs of vulnerable populations but are generally short-term and reactive rather than developmental.

A considerable share of Zakat and Sadaqah funds is also directed towards education and human development, particularly through scholarships for university and school students, sponsorships for overseas education, and assistance for special education and vocational training programs. These forms of investment contribute indirectly to livelihood enhancement by improving human capital and employability among the Muslim community.

Some institutions have initiated entrepreneurship and livelihood-related projects, including village-level economic programs, distribution of sewing machines and fishing nets, self-employment grants, and interest-free loans for microenterprises. Although such projects demonstrate potential for sustainable income generation, they are mostly one-time interventions with limited follow-up and monitoring.

In addition, a number of organisations have utilised Zakat and Sadaqah funds for community infrastructure and development initiatives, such as the construction of wells, community centres, mosques, and housing for low-income families. While these projects contribute to long-term community welfare, Examples of livelihood-focused efforts include providing capital for small businesses, offering vocational and skills training, supplying tools and equipment for income-generating activities, supporting agriculture and livestock initiatives, and offering business mentoring or financial literacy programs all aimed at enabling beneficiaries to earn a sustainable income rather than relying on one-time assistance (KII, 2025).

Institutional representatives also highlighted that most beneficiaries are identified through regional mosque committees or direct requests from needy individuals, rather than through systematic poverty assessments or data-driven targeting. Once funds are disbursed, continued monitoring and evaluation are rarely conducted, mainly due to administrative and financial limitations.

Overall, while the scope of institutional activities funded by Zakat and Sadaqah in Sri Lanka reflects strong religious commitment and community responsiveness, it remains largely welfare-oriented and fragmented. The current approach emphasises immediate relief and moral duty rather than structured, sustainable livelihood development. To enhance long-term impact, institutions need to strengthen project planning, monitoring mechanisms, and post-assistance evaluation, ensuring that Zakat and Sadaqah funds contribute effectively to economic empowerment and poverty alleviation.

### **4.2.2 Institutional Successes and Challenges in Implementing Zakat and Sadaqah Projects**

Institutional feedback reveals a complex balance between significant short-term achievements and persistent systemic challenges in the implementation of Zakat and Sadaqah-funded livelihood programs in Sri Lanka. A majority of institutions, including mosque committees and national entities such as the CBMF, reported tangible successes in addressing immediate welfare needs, enhancing donor trust, and ensuring rapid response through faith-based networks. CBMF, for

instance, continues to publish annual success stories demonstrating measurable impact in housing, microenterprise development, educational scholarships, and emergency relief (KII, 2025). These cases illustrate how Zakat and Sadaqah, when managed within structured frameworks that balance compassion with accountability, can assist in poverty alleviation.

At the grassroots level, regional mosque committees remain central to reaching vulnerable households and maintaining social cohesion, especially during times of economic hardship and natural disasters. Their community-based mechanisms ensure accessibility and responsiveness, although they often rely on informal governance systems rather than formal institutional structures. Despite these achievements, both the survey and key informant interviews identify structural, financial, and contextual constraints that undermine long-term sustainability. As shown in Figure 4.13, 48% of the 23 responding institutions cited limited funding and donor dependency as their principal challenge. This financial constraint compels many mosque-based organisations to adopt a “one-time assistance” model, providing support for housing, weddings, or small business start-ups, after which funds are redirected to new beneficiaries rather than monitored for long-term outcomes.

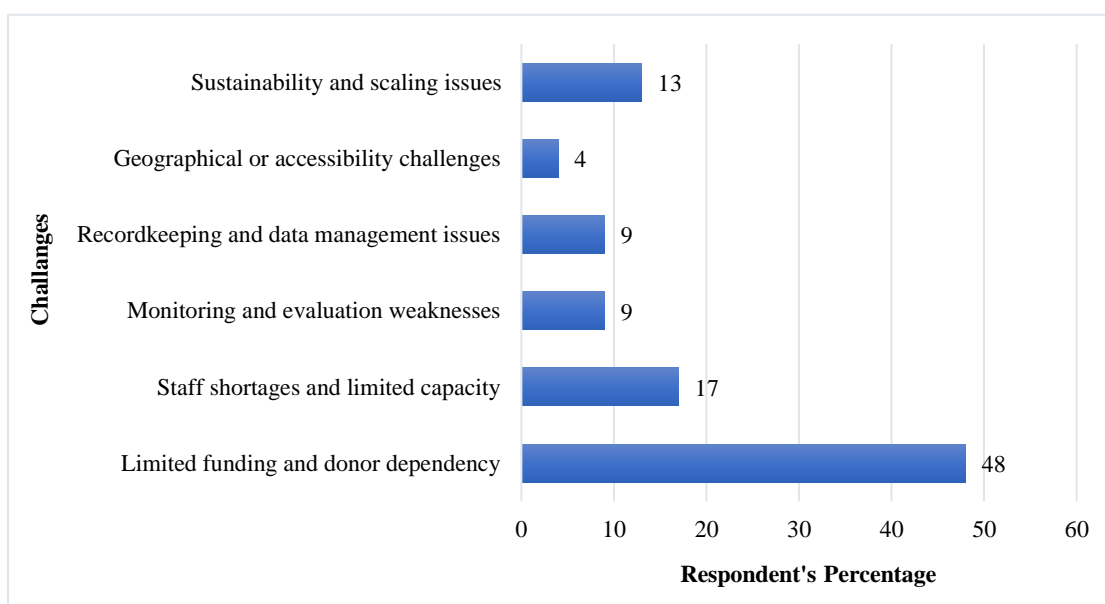


Figure 4.13: Major Institutional Challenges (Questionnaire II, 2025)

Sustainability and Scaling issues (13%) across most institutions are the absence of long-term monitoring systems. In addition, smaller proportions of institutions highlighted staff shortages (17%), monitoring and record-keeping weaknesses (9%), and geographical access constraints (4%), collectively pointing to limited administrative capacity (Figure 4.13). Many organisations lack structured follow-up mechanisms or standardised reporting formats. The shortage of dedicated field officers and dependence on a small pool of volunteers often without

technical training further weakens project supervision, evaluation, and recordkeeping. Consequently, the outcomes of Zakat and Sadaqah interventions remain largely anecdotal rather than evidence-based.

Gender representation and inclusivity remain persistent gaps. Respondents noted limited female participation in management and volunteer structures, restricting outreach to widows and women-headed households. The lack of female field officers also reduces access to beneficiaries in contexts where cultural norms discourage direct interaction with male staff (Open-ended Question-QII, 2025; KII, 2025). Transparency and accountability were identified as sensitive but recurring institutional issues (Open-ended Question-QII, 2025; KII, 2025). While mosque-based organisations enjoy strong community trust, most operate without formal audits or standardised documentation of fund disbursement decisions. Transparency, therefore, often depends on the personal integrity of committee members rather than institutionalised systems. Nevertheless, the findings underscore the urgent need for institutional transformation through:

- Establishing **structured monitoring frameworks and digital databases**;
- Expanding **trained field staff and volunteer networks**, including enhanced **women's participation**;
- Enhancing **financial transparency and standardised reporting systems**; and
- Strengthening **coordination among mosque committees and national Zakat bodies**.

Addressing these issues will enable Zakat and Sadaqah institutions to evolve from fragmented, short-term welfare providers into coordinated, transparent and inclusive development partners, contributing to Sri Lanka's broader goals of economic recovery, social equity, and sustainable community empowerment.

### 4.2.3 Mechanisms for Beneficiary Identification and Fund Distribution

The beneficiary selection process is usually based on direct requests for assistance or recommendations from mosque leaders (Imams, trustees, or committee members). In several cases, institutions reported that applications or verbal appeals are submitted to the mosque or organisation office, followed by a brief inquiry or home visit to confirm the level of need. However, few institutions employ standardised eligibility criteria such as income thresholds, poverty indices, or vulnerability scoring systems (Open-ended Question-QII, 2025; KII, 2025).

Fund distribution practices also vary widely across institutions but remain primarily manual and localised. Most organisations provide assistance directly in cash or through in-kind support, such as sewing machines, livestock, fishing gear, or building materials. Disbursement usually occurs seasonally, especially during Ramadan or Hajj periods, when Zakat collections peak. Some larger institutions, such as the CBMF and Muslim Aid Sri Lanka, have more formal systems involving application reviews, documentation, and bank transfers, but these remain exceptions rather than the norm (Open-ended Question-QII, 2025; KII, 2025).

A recurring theme in institutional responses was the absence of a formal record-keeping and tracking system (Open-ended Question-QII, 2025; KII, 2025). Only a small number of organisations maintain digital or written beneficiary databases, while most rely on handwritten lists or committee memory. This practice, while community-trusted, poses challenges for accountability, duplication prevention, and impact assessment. Additionally, there is no centralised coordination between mosque-based committees and other Zakat bodies, leading to fragmented data and overlapping beneficiary support (Open-ended Question-QII, 2025; KII, 2025).

Some respondents emphasised that due to limited funds, institutions often follow a rotation policy where once a beneficiary receives support, they are excluded from future assistance to allow new applicants to benefit. While this approach promotes equity, it also prevents consistent follow-up and long-term livelihood support for previously assisted families.

Overall, the findings show that the beneficiary identification and fund distribution mechanisms of most Zakat and Sadaqah-funded institutions rely heavily on trust-based, community knowledge systems rather than data-driven or institutionalised processes (Open-ended Question-QII, 2025; KII, 2025). This approach ensures local legitimacy and social proximity, but it also limits transparency, efficiency, and sustainability. Strengthening these mechanisms through standardised documentation, digital records, and coordination among mosque committees and formal organisations would enhance the accountability and developmental impact of Zakat and Sadaqah in Sri Lanka.

#### **4.2.4 Key Factors Influencing Institutional Impact Assessment**

The institutional responses reveal that both internal organisational factors and external contextual constraints shape the ability of Zakat and Sadaqah institutions to measure their program outcomes effectively. While several organisations have achieved success in monitoring through strong

community engagement and established procedures, the majority continue to face systemic challenges related to capacity, resources, and data management.

Among the key factors contributing to successful impact measurement, institutions identified the following:

1. **Organisational Structure and Experience:** Larger and more established bodies such as the CBMF and Muslim Aid Sri Lanka (MASL) have relatively well-defined administrative structures, periodic audits, and donor reporting systems. Their institutional maturity enables better record-keeping, beneficiary profiling, and follow-up.
2. **Community-based Trust Networks:** Mosque committees benefit from direct social contact with beneficiaries, allowing them to track immediate outcomes through community feedback. This proximity builds trust and facilitates informal but rapid information exchange.
3. **Dedicated Volunteers and Donor Accountability:** In some institutions, a motivated network of volunteers and transparent donor communication channels support periodic reviews and reporting, helping maintain credibility and responsiveness.

In contrast, several factors hinder systemic impact measurement, especially at the local and mosque level:

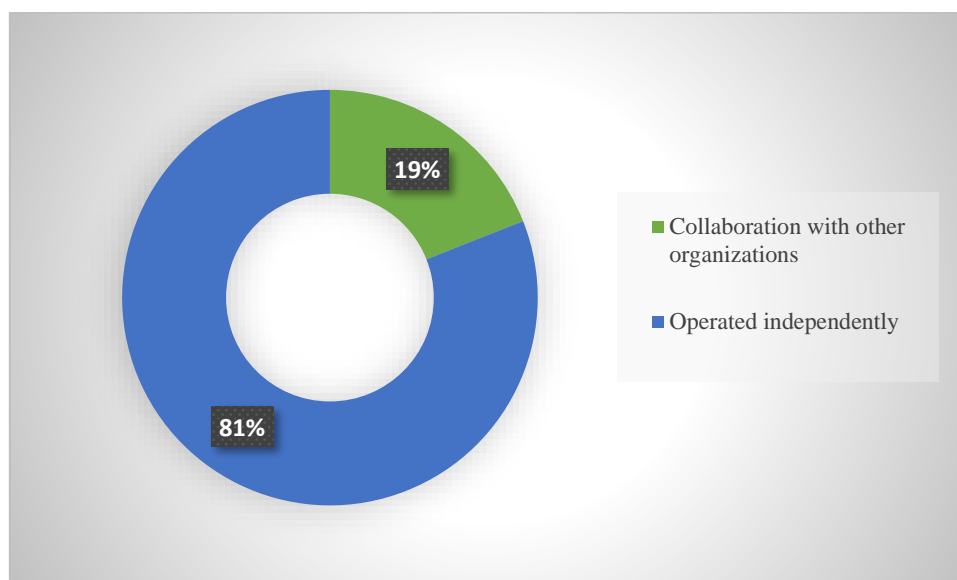
- **Absence of Structured Monitoring Frameworks:** Most institutions lack predefined indicators, baselines, or evaluation templates, making it difficult to assess progress beyond anecdotal evidence.
- **Limited Human Resources and Field Presence:** Many mosque committees operate without trained monitoring staff or dedicated field officers. They depend on part-time volunteers whose focus is primarily on fund distribution rather than outcome tracking.
- **Inconsistent Record-keeping and Data Management:** The majority of institutions maintain handwritten records or verbal registers, with little to no digital data entry. This constrains transparency, long-term tracking, and comparative analysis.
- **Financial and Technical Constraints:** Restricted administrative budgets and donor expectations that all contributions be used directly for beneficiaries limit investment in monitoring and evaluation systems.
- **Gender and Access Gaps:** The scarcity of female field volunteers restricts engagement with women beneficiaries, especially widows and female-headed households, resulting in incomplete data and missed perspectives.

- **Lack of Co-ordination and Standardisation:** There is minimal communication between mosque committees and other Zakat bodies. Each body uses its own informal criteria, preventing consolidated reporting or national-level assessment.

Institutions also highlighted that while they can observe visible improvements in beneficiaries' welfare (such as business start-ups, education access, or housing improvements), the absence of quantitative metrics and periodic reviews prevents formal documentation of these outcomes. As a result, most success stories remain qualitative or narrative-based, rather than evidence-driven. Overall, the findings demonstrate that institutional capacity to measure impact is uneven and largely dependent on organisational scale and resource availability. Developing standardised monitoring guidelines, digital beneficiary databases, and cross-institutional coordination systems would substantially strengthen evidence generation.

### 4.2.5 Institutional Dependencies and Collaborative Networks

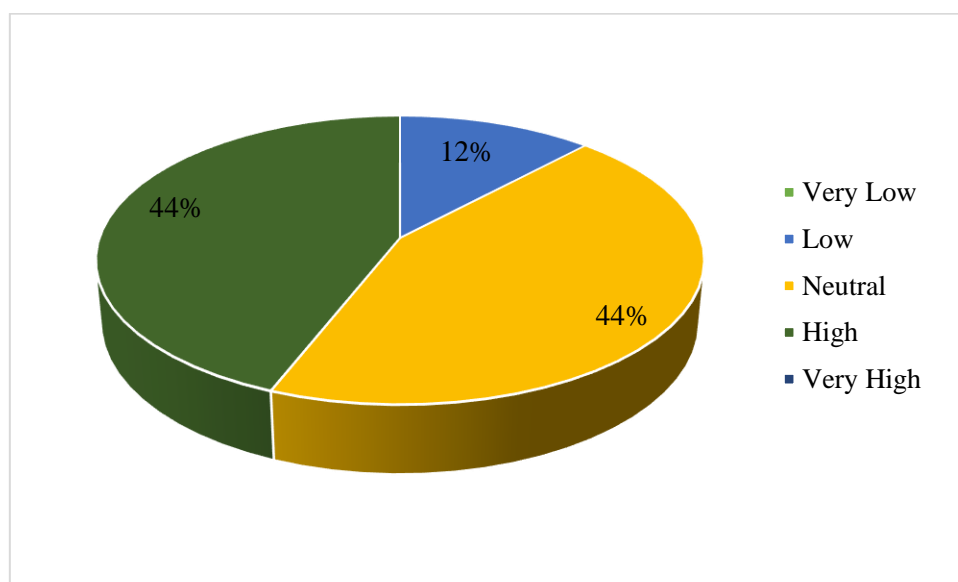
The survey results reveal that a minority of institutions (approximately 19%) reported some degree of collaboration with other organisations in administering Zakat and Sadaqah funds for livelihood or welfare projects. The remaining 81% of respondents indicated that they operated independently, without any formal partnerships (some institutions received funds from foreign institutions and collaborated with them). These finding underscores the community-driven autonomy of mosque-based institutions and the limited integration with other Zakat administering bodies in Sri Lanka.



**Figure 4.14:** Collaboration with other institutions (Questionnaire II, 2025)

The nature of collaboration typically includes information sharing, beneficiary verification, joint resource distribution, and co-implementation of livelihood or training programs. Based on

the results (Figure 4.15), the findings indicate that institutional dependency on external organisations is largely moderate rather than high. Overall, dependency levels clustered around a neutral to moderate position, with 44% of institutions reporting a neutral level of dependency, 44% indicating high dependency, and 12% reporting low dependency. Notably, no institutions reported very high dependency on external actors. This pattern suggests that while collaborative arrangements with NGOs, government bodies, or other institutions do exist, most Zakat and Sadaqah-administering institutions do not rely heavily on external entities for their core operations. Higher levels of dependency were mainly observed among institutions engaged in externally funded projects or formal partnerships with large NGOs. In contrast, mosque-based committees tended to report low dependency, reflecting strong community-based governance structures, albeit often accompanied by limited formal linkages with national policy frameworks or development agencies.



**Figure 4.15:** Institutional Dependencies (Questionnaire II, 2025)

Evidence from key informant interviews confirms that most local institutions collaborate informally, often driven by personal relationships between committee members rather than written memoranda of understanding (MoUs). This informal system provides flexibility and community responsiveness but also weakens accountability, manual documentation, and continuity when leadership transitions occur (KKI, 2025).

The findings also reveal regional disparities in collaboration intensity. Institutions in Colombo and Kandy reported higher interaction with formal organisations and greater access to donor networks, whereas those in Ampara, Batticaloa, and Puttalam functioned more autonomously through mosque committees. Overall, while existing collaborations contribute

positively to transparency, resource sharing, and efficiency, the evidence points to a fragmented institutional ecosystem. Strengthening structured partnerships between mosque committees and other Zakat agencies would enhance coordination, reduce duplication, and improve impact measurement. Developing joint digital beneficiary registries and formal collaboration protocols could further professionalise Zakat and Sadaqah governance.

### **4.2.6 Monitoring and Follow-up Mechanisms for Livelihood Initiatives**

The analysis of institutional responses clearly indicates that most organisations lack systematic follow-up mechanisms after disbursing Zakat or Sadaqah-based livelihood support. A large majority of respondents, approximately 68%, acknowledged that their institutions conduct little or no follow-up once financial aid, equipment, or business materials are provided to beneficiaries. The primary reason cited for this weakness is limited staff capacity and dependence on volunteers, which restricts the ability to maintain consistent field supervision or post-assistance evaluation.

Where follow-up does occur, it is generally informal and irregular, relying on personal contact through mosque committees, occasional phone calls, or voluntary feedback from beneficiaries. These approaches, while useful for maintaining community engagement, are anecdotal rather than data-driven, and they seldom produce documented evidence of livelihood outcomes. A few larger institutions, such as the CBMF and Muslim Aid Sri Lanka (MASL), conduct periodic reviews or photographic documentation for selected projects, but these practices remain exceptions (KII, 2025).

The lack of dedicated monitoring officers and digital data management systems further exacerbates the problem. Many institutions operate on minimal administrative budgets, prioritising fund distribution over administrative oversight. In rural and coastal districts such as Ampara and Batticaloa, logistical difficulties and travel costs add another layer of challenge, preventing committees from revisiting beneficiaries after initial support. This limited monitoring capacity has significant implications for program sustainability. Without proper tracking, institutions cannot assess whether distributed funds or materials such as sewing machines, livestock, or start-up capital have generated the intended livelihood benefits. It also prevents evidence-based adjustments and accountability reporting to donors (Open-ended Question-QII, 2025; KII, 2025).

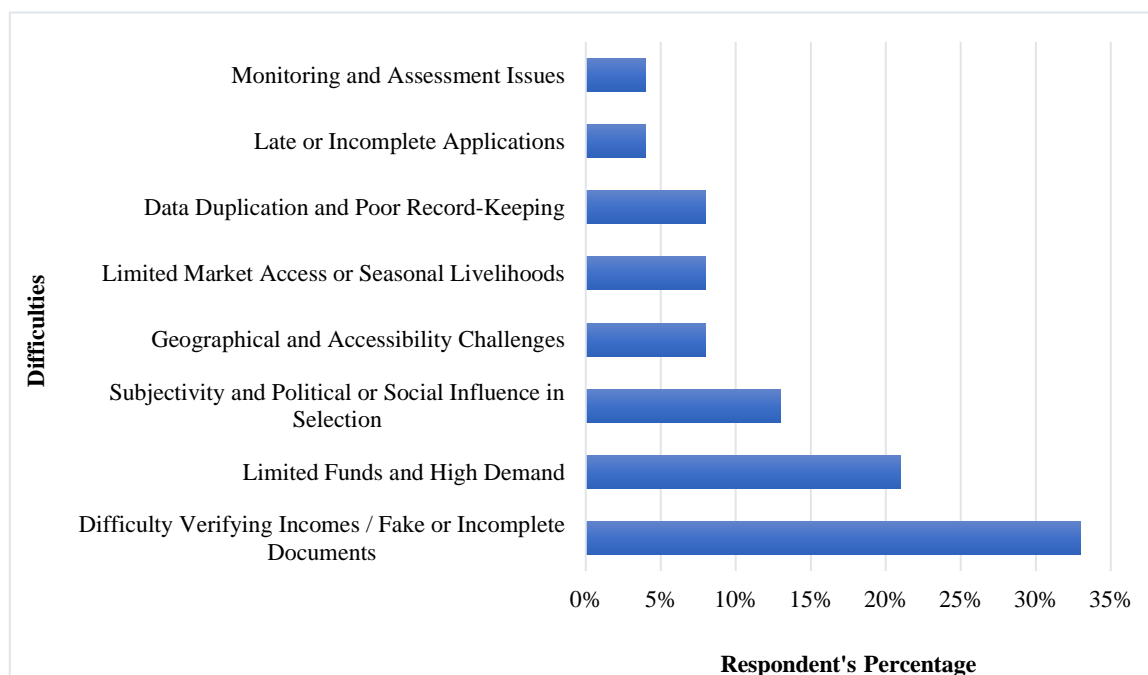
Overall, the findings show that follow-up is the weakest link in the current Zakat and Sadaqah institutional framework. Strengthening this aspect will require appointing trained field officers, establishing digital beneficiary databases, and introducing simple progress tracking tools adaptable to mosque and community contexts. These reforms would ensure that livelihood

initiatives are not one-time charitable acts but rather monitored, evolving processes that contribute to sustainable socio-economic improvement.

#### 4.2.7 Challenges in Fair Selection of Beneficiaries of Allocation of Funds

The institutional response analysis reveals that beneficiary selection and fund allocation remain two of the most challenging aspects of Zakat and Sadaqah administration in Sri Lanka. About 71% of surveyed institutions reported facing difficulties in verifying beneficiaries’ true income levels, ensuring fairness, and avoiding external influence during the selection process. Institutions such as the CBMF and the Al-Falah Mosque Committee particularly highlighted concerns regarding the absence of standardised eligibility criteria, the reliance on handwritten records, and the lack of a centralised beneficiary database, all of which contribute to inconsistency and potential duplication (Open-ended Question-QII, 2025; KII, 2025).

Several organisations admitted to encountering pressure from community members, religious leaders, or local politicians when finalising beneficiary lists, an issue more common among small, mosque-based committees operating in rural districts such as Puttalam, Ampara, and Batticaloa. These institutions strive to maintain transparency, but their dependence on informal nomination systems and manual record-keeping weakens accountability and heightens the risk of error or bias. In some cases, committees discovered that the same beneficiaries received assistance from multiple sources, making it difficult to prioritise those most in need (Open-ended Question-QII, 2025; KII, 2025).



**Figure 4.16:** Difficulties in Beneficiary Selection and Allocation of Zakath/Sadaqah Funds (Questionnaire II, 2025)

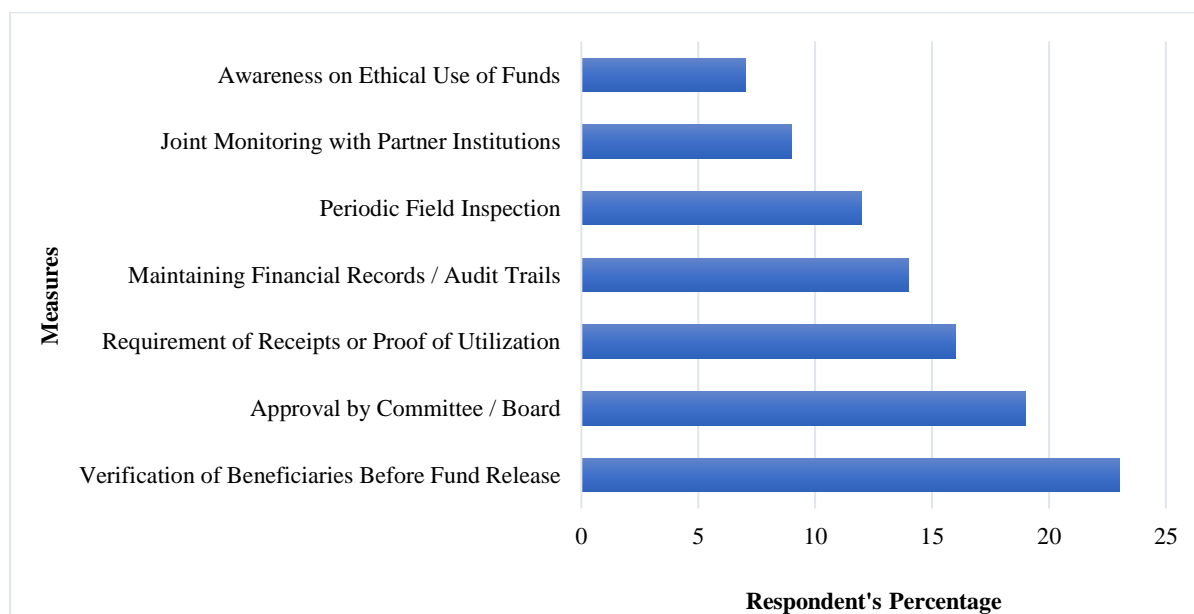
The findings strongly underscore the need for computerised beneficiary databases, standardised selection criteria, and digital record-sharing mechanisms between mosque committees and other Zakat agencies. Implementing these reforms would help minimise duplication, ensure equitable distribution, and enable faster, data-driven identification of genuinely needy households.

#### 4.2.8 Cases of Misuse of Zakat and Sadaqah Funds

Among the 25 institutions surveyed across the five selected districts (Colombo, Kandy, Ampara, Puttalam, and Batticaloa), the findings indicate that there were no significant cases of misuse. Respondents emphasised that their operations are built on strong community trust, internal committee oversight, and collective accountability mechanisms that minimize the potential for fund mismanagement.

#### Measures Implemented to Prevent Misuse

The findings reveal that most institutions have already adopted preventive mechanisms to safeguard Zakat and Sadaqah contributions and ensure transparent utilisation. The most commonly used controls include beneficiary identity verification (23%), committee-level approval (19%), and receipt documentation (16%), supported by community-based monitoring.



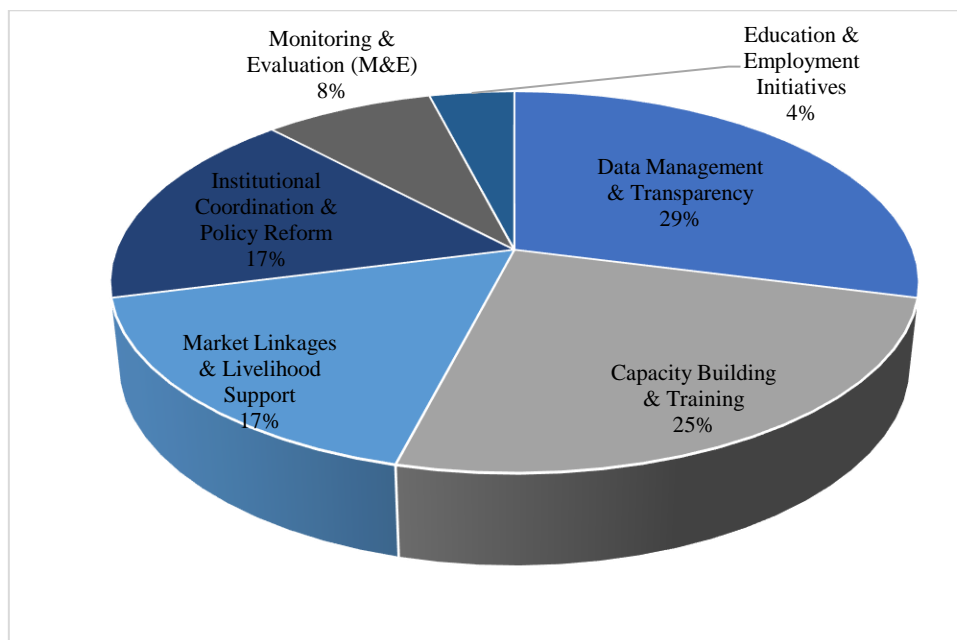
**Figure 4.17:** Measures Implemented to Prevent Misuse (Questionnaire II, 2025)

The CBMF, for example, follows a two-step verification process using mosque registers and national ID checks, while MASL and the Zakat Foundation rely on partner agreements,

internal audits, and progress reports for fund accountability. Some mosque committees publicly display beneficiary lists to increase community oversight and transparency (KII, 2025).

#### 4.2.9 Suggested Improvements for Effective Zakat and Sadaqah Fund Management

Institutional feedback highlights a clear set of priorities for strengthening the governance, transparency, and long-term effectiveness of Zakat and Sadaqah fund management in Sri Lanka. As reflected in Figure 4.18, institutions most frequently emphasised the need for improved data management and transparent digital systems (29%), followed by capacity building and staff training (25%), enhanced market linkages and livelihood support mechanisms (17%), stronger institutional coordination and policy reform (17%), improved monitoring and evaluation practices (8%), and expanded education and employment initiatives (4%).



**Figure 4.18:** Suggested Improvements for Effective Zakat and Sadaqah Fund Management (Questionnaire, 2025)

The foremost institutional priority is the digital transformation of fund management processes. Organisations repeatedly stressed the importance of computerising records and establishing a unified, island-wide digital beneficiary database. Such a system would reduce duplication, standardise eligibility verification, and enable equitable, data-driven allocation of funds across districts. Institutions noted that transparent digital systems would also significantly enhance donor confidence and accountability. Capacity development emerged as the second major area of reform. Many institutions reported gaps in financial management, record-keeping, monitoring, and project evaluation due to limited staff skills and high volunteer turnover. Systematic training

programs and standardised operating procedures were identified as critical for ensuring institutional consistency and sustainability (Open-ended Question-QII, 2025; KII, 2025). Institutions also called for stronger livelihood support structures, particularly through improved market linkages and mentorship programs. Citing successful models implemented by organisations such as Muslim Aid Sri Lanka, respondents recommended that Zakat and Sadaqah distribution be complemented by technical guidance, business support, and connections to markets to ensure long-term income generation for beneficiaries (Open-ended Question-QII, 2025; KII, 2025).

A parallel set of recommendations focused on institutional coordination and policy alignment. Many institutions highlighted fragmentation within the current system, calling for greater collaboration among mosque federations, Islamic charities, and other development organisations. Clear policy guidelines and shared protocols were viewed as essential for harmonising practices and reducing inefficiencies. Although mentioned less frequently, monitoring and evaluation (8%) and education and employment initiatives (4%) were considered critical components of a modernised Zakat management system. Institutions identified the need for standardised reporting templates, regular progress reviews, and targeted vocational or scholarship programs that align with livelihood objectives. Notably, the CBMF has already expressed readiness to lead the establishment of a national Zakat and Sadaqah beneficiary registry. Several other institutions have proposed forming joint monitoring committees to supervise fund utilisation, strengthen oversight, and promote system-wide transparency (KII, 2025). Overall, institutional insights point to a shared understanding that digitalisation, coordinated governance structures, and continuous capacity building form the foundation of an effective Zakat and Sadaqah system. Implementing these reforms would enable Sri Lankan faith-based institutions to transition from traditional, ad hoc welfare distribution toward a structured, accountable, and development-oriented model of livelihood support.

### Chapter Summary

Chapter Four presents the analysis of data collected from beneficiaries, institutions, and key informants to evaluate the effectiveness of Zakat and Sadaqah in enhancing livelihoods. Findings reveal that beneficiaries face income insecurity, limited access to support, and challenges in utilising funds effectively. Institutional assessments indicate informal processes, weak monitoring, and fragmented collaborations. Key informant insights highlight policy gaps and operational constraints, underscoring the need for a structured, transparent, and coordinated approach to optimise the impact of Zakat and Sadaqah for poverty reduction.

# Chapter 5

## Discussion

### 5.1 Overview

This study set out to examine how Zakat and Sadaqah, two fundamental Islamic social finance mechanisms, can be optimised to strengthen livelihoods and reduce poverty in Sri Lanka. Grounded in field research across five districts (Ampara, Batticaloa, Kandy, Puttalam, and Colombo), the findings reveal a complex landscape of charitable giving marked by deep community trust but constrained by institutional fragmentation, resource limitations, and weak monitoring mechanisms.

The analysis indicates that the Zakat and Sadaqah system in Sri Lanka is largely decentralised and community-driven, with mosque committees, other organisations like Baithulmal funds serving as primary implementers. While 72% of surveyed institutions have implemented livelihood or welfare projects ranging from microenterprise support and housing assistance to educational aid, most interventions remain short-term and reactive, often lacking continuity and proper evaluation. Only a few institutions, such as the CBMF and Muslim Aid Sri Lanka, demonstrate structured management and annual reporting practices. These entities illustrate how systematic planning and data management can transform charitable resources into productive social investments.

Beneficiary Profile and Socio-economic Realities data from 125 beneficiary respondents revealed that 39% were aged 46-60, reflecting a productive yet economically vulnerable demographic, while 62% were male and 38% female, highlighting gender gaps but also opportunities for women-focused programs. About 46% had secondary education, and nearly half depended on irregular income sources, underscoring the precarious nature of Muslim livelihoods in both rural and semi-urban areas. Moreover, 60% of households received government welfare assistance (Samurdhi, Aswesuma, or disability allowances), indicating high dependency on external support, whereas 37% had no formal welfare coverage and relied entirely on mosque-based or private charity. These findings reinforce that poverty among Muslim households in Sri Lanka is multidimensional, driven not only by income deprivation but also by education, housing insecurity, and limited access to stable employment.

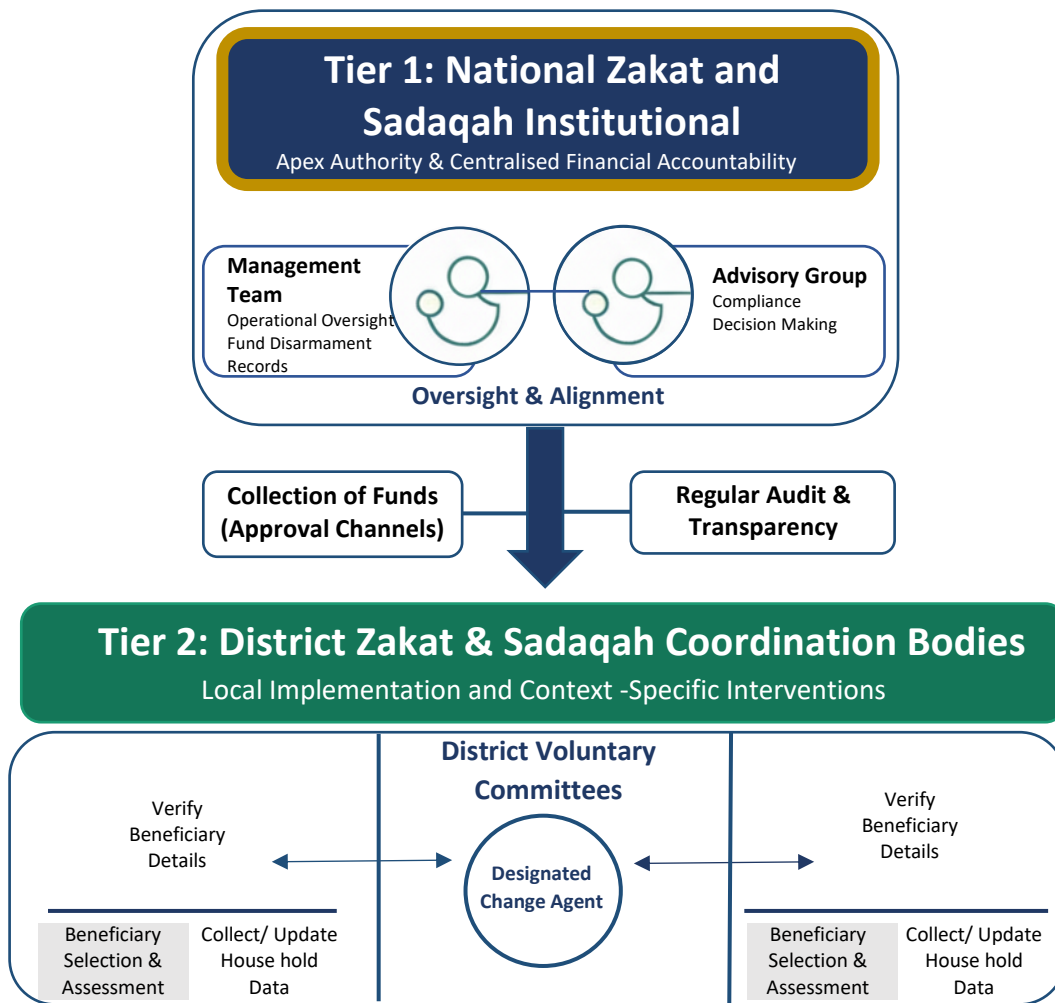
Economic and Livelihood Findings across all districts, beneficiaries expressed a strong willingness to transform charitable support into sustainable livelihoods. The most preferred areas for enterprise development were food-related businesses (44%), small trading (42%), and handicrafts and services (39%). About 54% of respondents identified access to tools and equipment as the most critical support for improving income, while the main barriers to livelihood success were insufficient capital (38%), lack of skills (22%), and health constraints (13%). These findings demonstrate that beneficiaries do not seek charity for consumption but rather for empowerment, a key insight that shaped the proposed model of Zakat and Sadaqah as development capital rather than short-term aid.

Institutional Challenges with 25 institutional stakeholders highlighted systemic weaknesses, including limited funding and donor dependency (48%), absence of long-term monitoring mechanisms and field officers, weak record-keeping, lack of standardised data systems, low female representation in decision-making structures, transparency gaps, inconsistent audit practices, and limited inter-agency coordination between mosque committees and state welfare systems. Despite these constraints, all institutions acknowledged their high moral commitment and social legitimacy as trusted actors in community welfare, underscoring their potential to serve as vital partners in national poverty reduction.

Recommendations distilled actionable strategies across five domains. First, institutional capacity building through formalised Zakat administration and digitalised records. Second, enhancing transparency and accountability via audits and public disclosures. Third, beneficiary targeting using data-driven, multidimensional poverty metrics with cross-verification from national databases. Fourth, fostering partnerships and networks linking mosque institutions with the national coordination body. Finally, integration into the national-level poverty reduction strategy by recognising Zakat and Sadaqah within Sri Lanka. If implemented, these recommendations can transform Zakat and Sadaqah from fragmented charitable practices into a structured Islamic social finance system capable of delivering measurable livelihood outcomes.

### **5. 2 Proposed Institutional Arrangement**

The proposed institutional arrangement (Figure 5.1) is designed as a two-tier structure consisting of a National Zakat and Sadaqah Coordination Body and Regional Zakat and Sadaqah Bodies at the district level. This structure ensures centralised financial accountability while enabling decentralised and context-specific implementation of Zakat and Sadaqah-supported livelihood interventions.



**Figure 5.1:** Proposed Institutional Arrangement

At the national level, the National Zakat and Sadaqah Coordination Body functions as the apex authority responsible for overall fund management. Its core responsibilities include the collection of Zakat and Sadaqah funds through approved channels, maintaining accurate and systematic records of fund disbursement, and conducting regular audits to ensure transparency and financial integrity. The national body is composed of a management team responsible for operational oversight, supported by an advisory group that guides policy direction, compliance, and strategic decision-making.

At the District level, Zakat and Sadaqah Bodies are established to manage implementation at the local level. These bodies are responsible for selecting and assessing eligible beneficiaries based on verified information. A designated change agent operates under the district body to verify beneficiary details, collect and update household-level information, and monitor the use of Zakat and Sadaqah support. Based on these assessments, the district bodies determine suitable livelihood activities for beneficiaries and calculate, validate, and approve the projected costs of the proposed

interventions. This decentralised approach ensures that livelihood decisions are grounded in local realities while remaining aligned with national oversight mechanisms.

### 5.3 Proposed Livelihood Potential for Sri Lanka

Sri Lanka presents substantial potential for livelihood development through Zakat and Sadaqah-based interventions, particularly in districts characterised by high poverty incidence, informal employment, and limited access to capital. The findings of this study indicate that when strategically utilised, Islamic social finance mechanisms can support income generation, reduce dependency on charitable assistance, and enhance household resilience among vulnerable Muslim communities. Rather than focusing solely on short-term consumption support, Zakat and Sadaqah can be effectively leveraged to promote sustainable livelihoods aligned with local economic conditions.

**Table 5.1:** Clustered Livelihood Potential Identified in Sri Lanka

Cluster Feature	Identified Livelihood Activities
Agriculture & Livestock	Crop farming; vegetable cultivation (chillies, brinjals); farm produce retailing; goat rearing; poultry farming; cut flower, small-scale livestock farming; honey bee keeping, mushroom production.
Fisheries & Aquaculture	ornamental fishing, Lagoon and small-scale fishing; boat repair; fish drying and packaging; dried fish processing; fisheries-based tools and input retailing; crab fattening.
Food & Beverage Enterprises	Bakery and food production; street food and snack preparation; tea and snack stalls; food delivery services.
Retail & Trading	Grocery shops; general retail outlets; stationery and book shops; clothing retail shops; small vegetable retailing.
Handicrafts & Traditional Industries	Handicraft production; mat weaving; handloom weaving; rope making (coir fibre); coconut-based product enterprises (e.g., coconut oil production).
Tailoring & Garment Services	Tailoring services for school uniforms, abayas, hijabs, and custom garments.
Repair, Transport & Technical Services	Mobile phone repair, vehicle and garage services; boat repair; three-wheeler (tuk-tuk) transport services.
Home-based & Personal Services	Home-based food processing (pickles); flower pot production; salon and beauty services.

## 5.4 Chapter Summary

Chapter 5 examined the potential of Zakat and Sadaqah as Islamic social finance mechanisms for strengthening livelihoods and reducing poverty in Sri Lanka, based on field evidence from five districts. The findings show that while Zakat and Sadaqah are strongly embedded in community trust, their impact is limited by fragmented institutional arrangements, weak coordination, and inadequate monitoring. Most interventions remain short-term and consumption-oriented, despite beneficiaries expressing a clear preference for livelihood-based support.

The analysis highlighted the multidimensional nature of poverty among Muslim households, characterised by irregular incomes, partial dependence on state welfare, and limited access to skills and capital. In response, the chapter proposed a two-tier institutional arrangement combining national-level financial oversight with district-level beneficiary assessment and livelihood planning. It also identified practical livelihood clusters aligned with local capacities and market conditions. Overall, the chapter demonstrates that a structured, accountable, and livelihood-focused Zakat and Sadaqah system can significantly enhance sustainable poverty reduction in Sri Lanka.

# Chapter 6

## Conclusion & Recommendations

### 6.1 Conclusion

The study titled Enhancement of Livelihoods based on Zakat and Sadaqah as a way to reduce poverty in Sri Lanka shows that faith-based resources mobilised strategically can have a transformative impact on the poverty problem and on the establishment of sustainable living. The review of literature, field tests and consultations with the stakeholders revealed that there are gaps that are vital in the current management of the Zakat and Sadaqah, such as a lack of institutional capacity, fragmented distribution of funds and a lack of monitoring systems. The recommended consolidated model with the National Zakat and Sadaqah coordination, district-based coordinators and a powerful Monitoring and Evaluation (M&E) system offers a viable road map to maximisation of funds. This model focuses on transparency, accountability, capacity building and community involvement, where funds are directed to people who require them the most and income-generating activities and skills development programs are also facilitated.

The realisation of such mechanisms, as well as participatory evaluation, emphasises the possibility of institutionalising these mechanisms in Sri Lanka based on the successful experience of the world experience and adjusting the interventions to the local socio-economic and cultural settings. The project can tackle the short-term needs, as well as long-term economic sustainability, social inclusion, and alignment with the United Nations Sustainable Development Goal 1 (No Poverty) because the contributions to charity are tied to the quantitative results of livelihood. Essentially, the research finds that a programmed, evidence-based, and community-based management of Zakat and Sadaqah will go a long way in boosting poverty reduction initiatives in Sri Lanka. When properly carried out, with constant supervision and cooperation of religious organisations, this project can be used as an example of sustainable social impact and fair development.

## 6.2 Recommendation

### 6.2.1 Strengthening Institutional Capacity

Effective administration of Zakat and Sadaqah in Sri Lanka requires moving from fragmented, volunteer-led charity models to professionally managed, data-driven institutions. Surveys indicate that 72% of organisations lack full-time staff, and only 33% have formal monitoring systems, limiting long-term impact. To address this, a **National Zakat and Sadaqah Management Council (NZSMC)** should be established, selecting and strengthening one existing management body based on defined criteria. This unit should include a qualified manager, support staff, and field officers with adequate salaries, benefits, and operational resources such as computers and vehicles. Regional coordination offices in each district, ICT-based management tools, professional training programs, and gender-inclusive boards will enhance efficiency, transparency, and accountability, drawing lessons from Malaysia and Indonesia.

### 6.2.2 Enhancing Transparency and Accountability

Transparency is critical, as over 60% of institutions rely on informal decision-making. Annual financial and audits, public disclosure of beneficiary lists, digital receipting systems, and annual impact reports should be mandatory. Community Oversight Councils, including Islamic scholars, social workers, and youth, can further strengthen the participatory system and build public trust, ensuring compliance with proposed national body regulations.

### 6.2.3 Improving Beneficiary Targeting

Duplication and subjective selection reduce efficiency, with 15-20% repeated beneficiaries in urban centres. A Unified Beneficiary Identification System (UBIS), multidimensional poverty-based targeting, cross-verification with local databases, community validation, and prioritisation of vulnerable groups (widows, orphans, disabled, and new converts) will ensure equitable distribution and convert Zakat into a proactive livelihood tool.

### 6.2.4 Leveraging Partnerships and Networks

Establishing MoUs with other related organisations, linking with private sector programs, collaborating with development agencies, academic institutions, and other Islamic countries' networks can foster innovation, credibility, and sustainable impact.

### 6.2.5 Integrating Zakat and Sadaqah into National Poverty Reduction Strategies

Zakat and Sadaqah should be formally incorporated into national poverty alleviation, aligned with SDGs, and supported through a National Zakat system. Integration with the poverty line, establishment of an Islamic Social Finance Council, and mainstreaming livelihood projects for youth and women can transform these mechanisms from fragmented welfare systems into structured social investments promoting resilience, productivity, and social justice.

### 6.2.6 Recommended Model for an Implementable Framework

Operational Framework for National Zakat and Sadaqah Management Council (NZSMC)

#### Two-Tier Governance Model

The Integrated Model – National Zakat and Sadaqah Management and Livelihood Development System adopts a two-tier governance structure to ensure scalability, inclusivity, and accountability. At the national level, the **National Zakat and Sadaqah Management Council (NZSMC)** oversees the implementation of the framework, develops guidelines, maintains a centralised donor-beneficiary registry, conducts annual audits, and collects contributions from donors. The **District Volunteer Committee (DVC)** manage fund allocation at the district level, verifies beneficiaries through mosque committees, field verification, and monitors progress via digital dashboards. This tiered approach ensures vertical integration of funds and data, as well as horizontal coordination among volunteer collaborators, maintaining functional autonomy while enforcing standardised reporting and transparency.

#### Institutional Integration Mechanisms

Integration with national, faith-based, and civil society actors is essential to maximise impact. At the national level, dealing with donors and donations, fund management and data interoperability ensures cohesion with this program. District-level actors focus on beneficiary verification and monitoring, implementation, and needs assessment involving mosque committees and community groups. These linkages allow real-time data exchange, efficient targeting, and prevention of duplication, addressing key gaps identified in field assessments.

## Digital Transformation and Transparency

A Digital Zakat Management Information System (Z-MIS) integrated with the National Beneficiary Database (NBD) is central to enhancing transparency and accountability. The system assigns unique IDs to beneficiaries, maps poverty clusters, and provides dashboards for self-donations and outcomes. An audit trail ensures traceability of all transactions, while SMS and online portals enable beneficiary feedback and grievance redress. This digital transformation supports evidence-based planning and real-time monitoring of livelihood activities.

### Core Components

- **Unique Beneficiary ID** for all Zakath/Sadaqah recipients.
- **Digitalize Data base system** to manage beneficiaries' details and their progress.
- **Digital Dashboards** for donation to encourage volunteer contribution, visualisation of progress, and monitoring outcomes.
- **Audit Trail System** ensuring traceability from collection to utilisation.
- **SMS/Online Feedback Portal** for beneficiary verification and grievance redressal.

Such a system will not only enhance transparency but also enable evidence-based planning for poverty alleviation.

### 6.3 Fund Collection and Distribution Mechanism

The proposed model introduces a standardised, transparent, and digitally integrated Zakat and Sadaqah Fund Management System (ZS-FMS) designed to unify fragmented collection and distribution practices currently managed independently by mosque committees. The model operates on a two-tier structure, National and District, to ensure accountability, equitable distribution, and efficient delivery.

Zakat and Sadaqah contributions will be mobilised from individuals, corporates, and institutional donors through multiple channels:

- **Digital payment gateways** (bank transfers, mobile wallets, QR payments)
- **Mosque-based collection points**
- **Diaspora donations** integrated via online portals

All funds will be deposited into a centralised account managed by the **NZSMC**. To ensure compliance with Islamic jurisprudence, the NZSMC will operate under the advisory guidance of an Islamic Shariah Council composed of Islamic finance scholars and economists. Distribution will follow need-based targeting and livelihood-oriented utilisation rather than one-time welfare aid. The priority allocation ratio is proposed as follows:

DVCs will review requests submitted via mosque committees or digital applications. Disbursements will be made directly to beneficiaries or service providers through bank transfers to minimise malpractices.

Funds are first collected from individual and institutional donors through authorised local and national channels. These contributions are then consolidated within a central coordinating body that ensures transparent recording, verification, and prioritisation based on poverty data and community needs. Allocations are directed to district-level implementing institutions responsible for identifying eligible beneficiaries and managing livelihood activities. Continuous monitoring, auditing, and digital reporting ensure accountability at each stage, while feedback loops from beneficiaries and community stakeholders help refine the system for greater efficiency and equity in fund utilisation.

### **Institutional Capacity Building**

Effective implementation requires continuous human resource development. Staff and volunteers will undergo needed training, monitoring and evaluation, financial accountability, and Shariah-compliant livelihood financing. The Zakat and Sadaqah Training and Research Unit (ZSTRU) under NZSMC will provide ongoing institutional support and guidance, addressing competency gaps and volunteer turnover identified during field assessments.

Effective implementation requires systematic human resource development within participating institutions. Change Agents will coordinate on the guidelines of this system, M&E, and financial accountability. Establishment of a ZSTRU under the NZSMC to provide ongoing institutional support.

### Accountability and Governance Mechanisms

The model introduces multi-layered accountability to ensure integrity and donor confidence. Accredited bodies will conduct annual financial audits, while DVCs submit quarterly monitoring reports consolidated at the national level. Public disclosure portals will summarise fund allocation, utilisation, and beneficiary reach. A grievance redress mechanism accessible via local mosques and mobile applications ensures ethical and transparent operations. Coordinators will also be provided with essential resources, such as motorcycles and laptops, to facilitate field monitoring, reporting, and communication. Periodic performance evaluations will inform capacity building and resource allocation, reinforcing a culture of ethical transparency and good governance.

To ensure integrity and donor confidence, the model introduces multi-layered accountability:

- **Annual Financial Audits** by accredited bodies.
- **Quarterly Monitoring Reports** to DVCs, consolidated by NZSMC.
- **Public Disclosure Portal** summarising fund utilisation and beneficiary reach.
- **Grievance Redress Mechanism** accessible via local mosques and a mobile application.

The governance model promotes a culture of **ethical transparency**, aligning with both Islamic social finance principles and good governance standards.

### Monitoring & Evaluation (M&E) Design

A comprehensive M&E framework will track input, output, and outcome indicators aligned with SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth). The Central Digital Zakat Registry (CDZR) will store beneficiary profiles, vulnerability assessments, fund allocation and utilisation records, and progress updates on livelihood interventions. Outcome tracking will include measures such as income changes, business performance, and reduced dependency. This system ensures that interventions are targeted, effective, and capable of producing measurable long-term socio-economic impact.

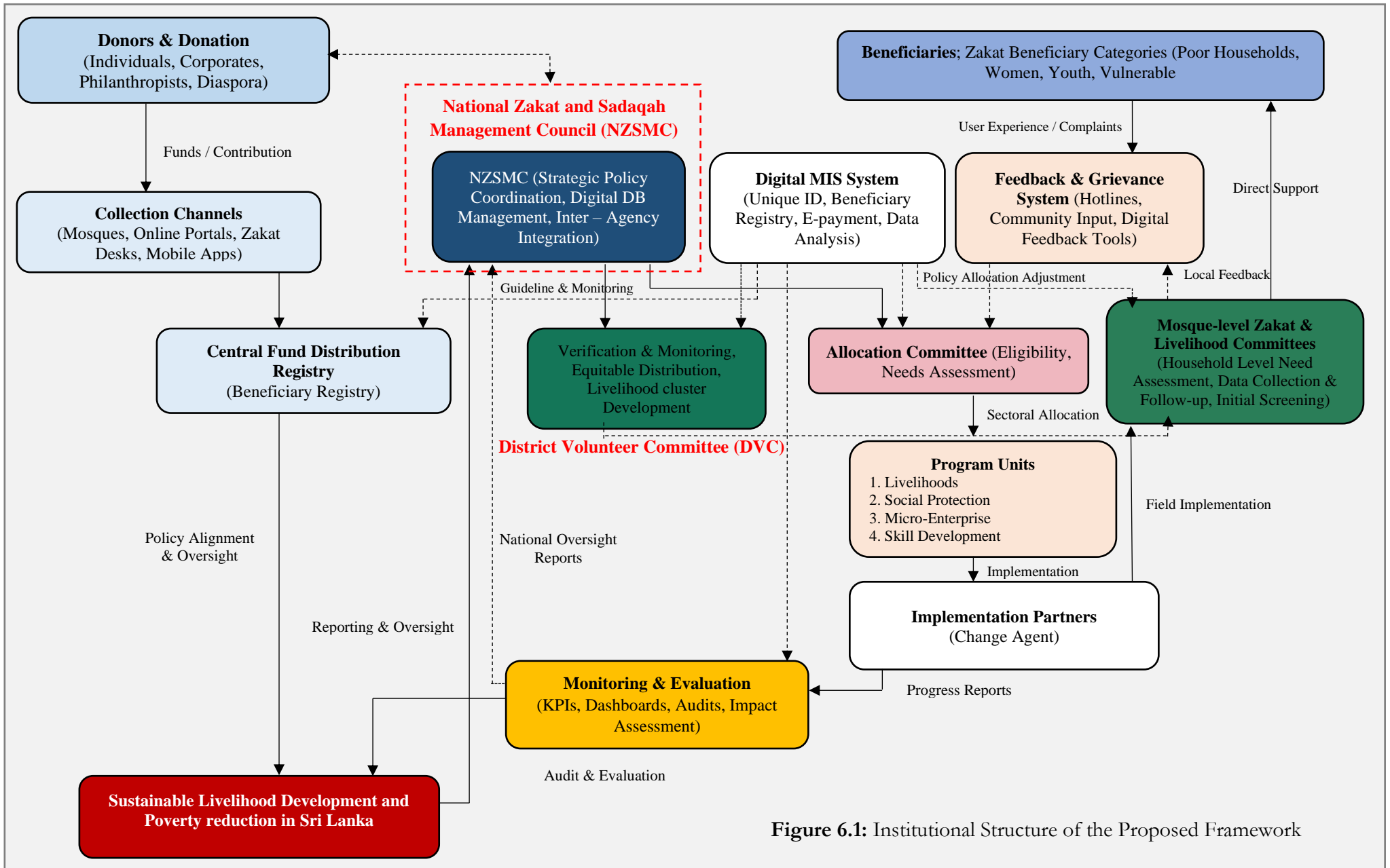


Figure 6.1: Institutional Structure of the Proposed Framework

## 6.4 Chapter Summary

Chapter 6 of the proposal outlines comprehensive recommendations for optimising Zakat and Sadaqah in Sri Lanka to alleviate poverty and enhance livelihoods. It emphasises strengthening institutional capacity through the establishment of a professional National Zakat and Sadaqah Secretariat, supported by district offices, ICT tools, and trained personnel to ensure efficiency and accountability. Transparency and accountability measures include mandatory audits, public reporting, and community oversight.

Beneficiary targeting is improved via a Unified Beneficiary Identification System and verification mechanisms. Integration with national poverty reduction strategies aligns these funds with the SDGs. The recommended implementable framework, the Integrated Model for Zakat and Sadaqah Management and Livelihood Development, features a two-tier governance system, digital management information systems, continuous capacity building, multi-layered accountability, and a rigorous monitoring and evaluation design to ensure targeted, transparent, and sustainable socio-economic impact.

# References

- Abdelbaki, H. H. (2013). The impact of zakat on poverty and income inequality in Bahrain. *Review of Integrative Business & Economics Research*, 2(1), 133–154.
- Abdullah, R. (2009). *Zakat and its socio-economic roles in Brunei Darussalam: A case study* (Master's thesis). University Brunei Darussalam.
- Abdullah, R. (2010). Zakat management in Brunei Darussalam: A case study. In *Proceedings of the 7th International Conference – The Tawhid Epistemology: Zakat and Waqf Economy* (Bangi, Selangor, 6–7 January). Bangi, Selangor, Malaysia.
- Ahmad, M., Rashid, S. K., Ibrahim, U., & Oseni, U. A. (2015). The legal and regulatory framework for zakat and waqf administration in Kuwait: Lessons for Nigerian Zakat and waqf institutions. *International Journal of Business, Economics and Law*, 7(4), 9–21.
- Ahmed, M. (2021). Islamic social finance. In *Innovative humanitarian financing: Case studies of funding models* (pp. 101–134). Cham: Springer International Publishing.
- Al-Faruq, T., Hafis, G. A., & Rizwan, L. (2025). Analysis of the Effectiveness of Zakat Collection Institutions in Managing Islamic Social Funds. *Seriat Ekonomisi*, 2(1), 9-16.
- Ali, M., Aljounaidi, A., Azizzadeh, F., & Tavassoli, G. (2022). Benefits of the Islamic Economic System and its fruits in real life: a comparative analysis. *Zenodo (CERN European Organisation for Nuclear Research)*, 26.
- Ali, N. N. (2015). *The influence of governance to zakat disbursement efficiency: Empirical evidence from Brunei Darussalam* (Master's thesis). International Islamic University Malaysia.
- Ali, S., Jamalurus, H. L., Abd Rahim, H., & Nasir, N. S. M. (2024). Bibliometric Analysis of Zakat Literature: Exploring Research Trends and Factors Influencing Zakat Payment. *Journal of Islamic Finance*, 13(2), 1-21.
- Allami, A. W. (2015). *Principilizing Islamic zakat as a system of taxation* (PhD thesis). Brunei Law School.
- Al-Malkawi, H. A. N., & Javaid, S. (2018). Corporate social responsibility and financial performance in Saudi Arabia: Evidence from Zakat contribution. *Managerial finance*, 44(6), 648-664.
- Al-Meezan. (2008). *Law No. 8 of 1992 on the establishment of the zakat fund*. Retrieved December 12, 2018, from <http://www.almeezan.qa/LawView.aspx?opt&LawID=420&language=en>

- ANSARI, M. M. D., & AHAMEDULLAH, M. (2025). Zakaath as a Tool for Poverty Eradication: A Socio-Economic Perspective. *Al-Bukhari Journal of Arabic and Islamic Studies*, 5(1).
- Arab Times Online. (2016, October 27). *Time now to reform tax law – Deserving should get zakat*. Retrieved December 10, 2018, from <http://www.arabtimesonline.com/news/time-now-reform-tax-law-deserving-get-zakat/>
- Ayuniyyah, Q., Hafidhuddin, D., & Hambari, H. (2020). Strategies for Strengthening the Role of Zakat Boards and Institutions in Indonesia. *International Journal of Zakat*, 5(3), 73-87.
- Bashir, M. S., & Ali, N. N. (2012). Analysis of zakat management in Brunei Darussalam. *International Journal of Management Studies*, 19(2), 75–102.
- Bashir, M. S., Sarbini, N. A., & Abdullah, R. (2012). Zakat management and capital assistances programme in Brunei Darussalam. *The Journal of Muamalat and Islamic Finance Research*, 9(1), 27–60.
- Binsaied, S. (2021). *Investigating the factors influencing the individuals' intention of money donation (Sadaqah) to charities: the case of Saudi Arabia* (Doctoral dissertation, Brunel University London).
- Bonner, M. (2005). *Poverty and charity in the rise of Islam* (historical study).
- Bremer, J. (2015). Zakat and economic justice: Emerging international models and their relevance for Egypt.
- Cheema, M. A., & Nartea, G. V. (2017). Momentum returns, market states, and market dynamics: Is China different?. *International Review of Economics & Finance*, 50, 85-97.
- Department of Census & Statistics (Sri Lanka). (2012). *Census of population & housing 2012: Final report*. Department of Census & Statistics, Sri Lanka. <https://www.statistics.gov.lk/> (see Census publications).
- Department of Census & Statistics (Sri Lanka). (2023). *Sri Lanka labour force survey: Annual report 2023*. Department of Census & Statistics. [https://www.statistics.gov.lk/Resource/en/LabourForce/Annual\\_Reports/LFS2023.pdf](https://www.statistics.gov.lk/Resource/en/LabourForce/Annual_Reports/LFS2023.pdf).
- Department of Census & Statistics (Sri Lanka). (2025). *Statistical pocket book 2025*. Department of Census & Statistics, Sri Lanka. <https://www.statistics.gov.lk/Publication/PocketBook2025>.
- El-Muhammady, A., Razeen, T. R., & Thabith, M. B. M. (2024). EXAMINING THE CURRENT PRACTICE OF GOVERNANCE IN ZAKAT IN A MUSLIM MINORITY COUNTRY: THE CASE OF SRI LANKA. *Sprin Journal of Arts, Humanities and Social Sciences*, 3(10), 17-25.

- Gilani, S. I. M. (2006). *The institution of zakat in Pakistan* (Master's thesis, Roskilde University). Roskilde University.
- Guermat, C., Al-Utaibi, A. T., & Tucker, J. P. (2003). The practice of zakat: An empirical examination of four gulf countries. *Economics Department Discussion Papers Series*, Paper Number 03/02.
- Hajira, B. (2024). Institutional Framework and The Performance of SMEs In Uganda: The Mediating Role Of Competitive Advantage. *ORSEA JOURNAL*, 124-138.
- Haniffa, R., & Hudaib, M. (2010). Islamic finance: from sacred intentions to secular goals?. *Journal of Islamic Accounting and Business Research*, 1(2), 85–91.
- Hanna, S., Manap, A., Siththi, F., & Long, S. (2017). *Poverty Alleviation via Microfinance using the Concept of Mudharabah*. 4(3).
- Hassan, M. K., Aliyu, S., Huda, M., & Rashid, M. (2019). A survey on Islamic Finance and accounting standards. *Borsa Istanbul Review*, 19, S1-S13.
- Hossain, M. Z. (2012). Zakatin Islam: A powerful poverty alleviating instrument for Islamic countries. *International Journal of Economic Development Research and Investment*, 3(1), 1-11.
- Hussein, S. G., & Osman, A. Z. (2022). Zakat paying behavior and gender differences: the case of Saudi Arabia. *International Journal of Economics, Management and Accounting*, 30(2), 505-533.
- Intezar, M. T., & Zia, S. B. (2022). Zakat, SDGs, and poverty alleviation of Muslims in India. In *Research Anthology on Measuring and Achieving Sustainable Development Goals* (pp. 297-315). IGI Global Scientific Publishing.
- Iqbal, M. H. D. (2018). Pengaruh Pendistribusian Dana Zakat Produktif Terhadap Pendapatan Mustahik Penerima Zakat BAZNAS Kab. Tanah Datar (Studi di Kecamatan Lima Kaum).
- Jalaldeen, M. S. M. (2015). Role of Zakat in poverty alleviation and economic development—special field study of Maruthamunai.
- Jallow, M. S., Ilmaskal, R., & Verdinando, R. (2025). Islamic Philanthropy in Healthcare in South Asia: Lessons from Sri Lanka and Nepal. *Asian Journal of Muslim Philanthropy and Citizen Engagement*, 1(1), 52-73.
- Jannah, S. R. (2024). Zakat as Moral Obligation: A Theological and Philosophical. In *Indonesian Conference of Zakat-Proceedings* (pp. 373-384).

- Jiffry, A. C. M., Zaroum, A. M. A., Rahmani, A., & Shamsuddin, M. (2021). Call for a Hybrid Model of ZakaH Disbursement in Sri Lanka.
- Jiffry, M. A. C. M., Zaroum, A. M. A., Amanullah, M., & Rahmani, A. (2023). Why Do Zakah Institutions in Sri Lanka Underperform?. *Journal of Islamic Economics and Finance Studies*, 4(2), 145–164.
- Jiffry, M. A. C. M., Zaroum, A. M. A., Amanullah, M., & Rahmani, A. (2023). Why Do Zakah Institutions in Sri Lanka Underperform?. *Journal of Islamic Economics and Finance Studies*, 4(2), 145-164.
- Kahn, T., Baron, A., & Vieyra, J. C. (2018). Digital technologies for transparency in public investment: new tools to empower citizens and governments.
- Kasjin, R. M. (2024). An Assessment of the Curriculum of the Islamic Banking and Finance Degree Programme Incorporating Employers' Expectations. *Talaa: Journal of Islamic Finance*, 4(2), 66-80.
- Kasjin, R. M., & Mohamed, N. M. H. (2025). Prominent Zakat Institutions and Their Role in Advancing the Welfare of the Muslim Community in The Eastern Province of Sri Lanka. *AL-FALAH: Journal of Islamic Economics*, 10(1), 137–166.
- Kasjin, R. M., & Mohamed, N. M. H. (2025). Prominent Zakat Institutions and Their Role in Advancing the Welfare of the Muslim Community in The Eastern Province of Sri Lanka. *AL-FALAH: Journal of Islamic Economics*, 10(1), 137-166.
- Kunhibava, S., Muneeza, A., Khalid, M. B., Mustapha, Z., & Sen, T. M. (2024). Sadaqah, Zakat and Qard Hassan: Legal Framework. In *Islamic social finance: Law and practice in Malaysia* (pp. 23-43). Singapore: Springer Nature Singapore.
- Lamido, A. A., & Haneef, M. A. (2021). Shifting the paradigms in waqf economics: towards renewed focus on socioeconomic development. *Islamic Economic Studies*, 29(1), 18–32.
- Long, A. S., Rufaida, R. F., Saujan, I., Razick, A. S., & Beevi, H. (2025). Exploring Muslim Perceptions of Apostasy and Religious Freedom in Islamic Law: An Empirical Study in Sri Lanka. *Samarah: Jurnal Hukum Keluarga dan Hukum Islam*, 9(2), 1307-1326.
- Mahomed, H. (2023). Embedded giving: Muslim philanthropy in South Africa. In *Philanthropy in the Muslim World* (pp. 82-99). Edward Elgar Publishing.

- Mahomed, Z. (2017). Zakat. In *Islamic Wealth Management* (chapter). (See chapter in edited volume / working paper). Available online: [https://ideas.repec.org/h/elg/eechap/17781\\_20.html](https://ideas.repec.org/h/elg/eechap/17781_20.html).
- Market Screener. (2018, November 18). *Zakat fund gives aid worth QR22mn in October*. Retrieved December 9, 2018, from <https://www.marketscreener.com/QATAR-ISLAMIC-BANK-QPSC-6498229/news/Qatar-Islamic-Bank-QPSC-Zakat-Fund-gives-aid-worth-QR22-mn-in-Oct-27630115/>
- Masithoh, K., & Asmuni. (2024). Existence and optimization of zakat, infaq, and sadaqah in Indonesia for sustainable development goals (SDGs). *Profetika: Jurnal Studi Islam*, 25(2), 135–152.
- Minnathul Suheera, M. Y., Jaseela Nashri, M. M., & Jamaldeen, A. (2015). The Role of Zakat in Poverty Alleviation.
- Mohamed, A. A., & Abdulrohim, E. (2025). Zakat as a Legal Obligation in Sharia within the Context of Contemporary Taxation Systems. *Demak Universal Journal of Islam and Sharia*, 3(02), 229-244.
- Mohamed, A. S. B., Ibrahim, A. A. B., Zaidi, N. S. B., Kamaruzaman, M. N. B., & Bin, M. N. (2019). Does Zakat have a significant impact on economic growth in Selangor, Malaysia? *International Journal of Academic Research in Business and Social Sciences*, 9(6), 786–807.
- Mohieldin, M., Iqbal, Z., Rostom, A., & Fu, X. (2015). The role of Islamic finance in enhancing financial inclusion in Organisation of Islamic Cooperation (OIC) countries. *Islamic Economic Studies*, 20(2).
- Moi, R. M., & Hamdalah, A. (2025). Cross-Cultural Adaptation of Zakat and Sadaqah: Strategies for Socio-Economic Empowerment in Predominantly Non-Muslim Superpower Nations. *Asian Journal of Muslim Philanthropy and Citizen Engagement*, 1(2), 146-163.
- Muhammad, I. (2019). Analysis of Zakat System in high-income Islamic countries. *The Journal of Muamalat and Islamic Finance Research*, 1-11.
- Obaidullah, M. (2016). Revisiting estimation methods of business zakat and related tax incentives. *Journal of Islamic Accounting and Business Research*, 7(4), 349–364.
- Ok, E. (2025). Global Success Stories in Islamic Microfinance Models.

- Osella, F. (2017). Islam, Charitable Giving, and Market Logic. *Religion and the Morality of the Market*, 217.
- Osella, F., Stirrat, R., & Widger, T. (2015). Charity, philanthropy, and development in Colombo, Sri Lanka. In *New Philanthropy and Social Justice* (pp. 137–156). Policy Press.
- Pelita Brunei. (2018, May 9). *Laksanakan penutupan zakat penuh tanggungjawab*. Retrieved December 17, 2018, from <http://pelitabrunei.gov.bn/Lists/Berita%202018/NewDisplayForm.aspx?ID=14504ada>
- Powell, R. (2010). Zakat: Drawing insights for legal theory and economic policy from Islamic jurisprudence. *University of Pittsburgh Tax Review*, 7(43), 43–101.
- Qatar Philanthropy Report. (2016). International Center for Not-for-Profit Law. Washington, DC.
- Rahman, M. M. (2024). Institutional Zakat Management in Bangladesh: Collection and Distribution Practices. *AZKA International Journal of Zakat & Social Finance*, 129–154.
- Rasul, G., Nepal, A. K., Hussain, A., Maharjan, A., Joshi, S., Lama, A., ... & Sharma, E. (2021). Socio-economic implications of COVID-19 pandemic in South Asia: emerging risks and growing challenges. *Frontiers in sociology*, 6, 629693.
- Rathnayake, N. D. N. B., & Kasturiratne, D. (2024). Digital payments strategies for financial inclusion. In *E-financial strategies for advancing sustainable development: Fostering financial inclusion and alleviating poverty* (pp. 9-20). Cham: Springer Nature Switzerland.
- Raza, A., Tursoy, T., Shaikh, E., & Shaikh, A. U. H. (2024). Investigating the symmetric effects of working capital on profitability in Turkish banking: An ARDL empirical analysis. *Studia Universitatis Vasile Goldiş Arad, Seria Ştiinţe Economice*, 34(1), 74-97.
- Rifas, A. H., Ahamed Hilmy, H. M., & Saujan, I. (2023). Assessing the performance of the Zakat and Samurdhi schemes in alleviating poverty among the Muslim community in Sri Lanka.
- Riyanto, S., Nizar, M., & Herningtyas, R. (2021). Muslim's philanthropy in Singapore and the role of government.
- Salithamby, A. R., Hatta, Z. A., & Fahrudin, A. (2022). Institutionalized zakāh in addressing well-being problems in non-Muslim Majority Sri Lanka. *Journal of King Abdulaziz University, Islamic Economics*, 35(2), 43–54.

- Salleh, M. S. (2017). Contemporary vision of poverty and Islamic strategy for poverty alleviation. *SAGE Open*, 7(2). <https://doi.org/10.1177/2158244017697153>.
- Saujan, I., Rifas, A. H., & Fathima Juhi, M. S. (2024). Fundraising and Zakat Distribution in Poverty Alleviation in Maruthamunai, Sri Lanka: A Maqashid Sharia Perspective.
- Saujan, I., Zain Fazley, Z. F., & Seni Mohamed, M. N. (2024). Undergraduates' awareness of Waqf (endowment): an empirical analysis based on state universities in Sri Lanka.
- Sawmar, A. A., & Mohammed, M. O. (2021). Enhancing Zakat Compliance through Good Governance: A Conceptual Framework. *ISRA International Journal of Islamic Finance*, 13(1), 136–154.
- Senadheera, K. A. S. (2013). Factors Affecting E-Service Delivery in the Public Sector of Sri Lanka. *Department of Computer Science & Engineering University of Moratuwa Sri Lanka*.
- Silva, K. T. (2020). Why Reconciliation Matters. *Why Reconciliation Matters: An Exploration into Triggers and Underlying Causes of Anti-Muslim Violence in Selected Areas in Sri Lanka in the Aftermath of Easter Sunday Attacks*.
- Tariq, M. U. (2025). Digital Accountability: Revolutionizing Public Sector Transparency and Service Delivery. In *Enhancing Public Sector Accountability and Services Through Digital Innovation* (pp. 129-154). IGI Global Scientific Publishing.
- Taylor, C. B. (2015). *Islamic charity in India: Ethical entrepreneurship & the ritual, revival, and reform of zakat among a Muslim minority* (Doctoral dissertation, Boston University).
- The World Bank. (2008). Retrieved December 8, 2018, from [www.worldbank.org](http://www.worldbank.org)
- United Nations Development Programme (UNDP). (2023). *Zakat for social protection and women's empowerment* (Final report). UNDP. <https://www.undp.org/sites/g/files/zskgke326/files/2023-04/Final%20Report%20%20Zakat%20for%20Social%20Protection%20and%20Women%20Empowerment%20%28Hi-res%29.pdf>.
- United Nations. (2015). *Transforming our world: The 2030 Agenda for Sustainable Development* (A/RES/70/1). United Nations. <https://sdgs.un.org/2030agenda> or <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>.

- Wahab, N. A., & Rahim Abdul Rahman, A. (2011). A framework to analyse the efficiency and governance of zakat institutions. *Journal of Islamic Accounting and Business Research*, 2(1), 43-62.
- Wahid, H. (2009). Pengagihan zakat oleh institusi zakat di Malaysia: Mengapa masyarakat Islam tidak berpuas hati?. *Jurnal Syariat*, 17(1), 89-112.2.
- Wahab, N. A., & Rahim Abdul Rahman, A. (2011). A framework to analyse the efficiency and governance of zakat institutions. *Journal of Islamic Accounting and Business Research*, 2(1), 43-62.
- Wahid, A., Suryani, A., & Akbar, A. (2025). The Influence of the Quality of Work Systems and Facilities on Work Effectiveness, which Impacts the Quality of Public Services at the Regional Revenue Agency of West Tanjung Jabung Regency. *Journal of Accounting and Finance Management*, 6(4), 1992-2000.
- Widger, T., & Osella, F. (2021). Trading futures: Sadaqah, social enterprise, and the polytemporalities of development gifts. *Focaal*, 2021(90), 106-119.
- World Bank. (2023). *Social protection and labour* (overview). The World Bank. <https://www.worldbank.org/en/topic/socialprotection>.
- Zami, M. T. Z., & Nurhaida, H. S. (2025). Establishing Criteria for Zakat Collectors in the Management of Zakat Fitrah Funds. *International Journal of Social Science and Religion (IJSSR)*, 21-36.

# ANNEXES

**Annexe 1: Similarity report obtained, to confirm the originality of the work**

## Enhancing Livelihoods through Zakat and Sadaqah for Poverty Reduction in Sri Lanka

*by Community Association Of Professionals (cap)*

---

**Submission date:** 17-Jan-2026 11:14AM (UTC+0530)

**Submission ID:** 2858275641

**File name:** Final\_CAP\_Report\_17.10.2026.pdf (2.58M)

**Word count:** 28590

**Character count:** 187906

Enhancing Livelihoods through Zakat and Sadaqah for Poverty Reduction in Sri Lanka

ORIGINALITY REPORT

<b>10%</b>	<b>9%</b>	<b>3%</b>	<b>3%</b>
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

<b>1</b>	<b>www.statistics.gov.lk</b> Internet Source	<b>3%</b>
<b>2</b>	<b>Submitted to South Bank University</b> Student Paper	<b>1%</b>
<b>3</b>	<b>science.cmb.ac.lk</b> Internet Source	<b>&lt;1%</b>
<b>4</b>	<b>dokumen.pub</b> Internet Source	<b>&lt;1%</b>
<b>5</b>	<b>ijmra.in</b> Internet Source	<b>&lt;1%</b>
<b>6</b>	<b>orca.cardiff.ac.uk</b> Internet Source	<b>&lt;1%</b>
<b>7</b>	<b>repository.anu.ac.ke</b> Internet Source	<b>&lt;1%</b>
<b>8</b>	<b>core.ac.uk</b> Internet Source	<b>&lt;1%</b>
<b>9</b>	<b>www.aurobindo.com</b> Internet Source	<b>&lt;1%</b>
<b>10</b>	<b>Submitted to International Islamic University Malaysia</b> Student Paper	<b>&lt;1%</b>
<b>11</b>	<b>litteraria.ff.cuni.cz</b> Internet Source	<b>&lt;1%</b>
<b>12</b>	<b>Shantanu Ghosh, Tarak Nath Sahu, Girijasankar Mallik. "Financial Inclusion", Springer Science and Business Media LLC, 2025</b> Publication	<b>&lt;1%</b>
<b>13</b>	<b>hse.gov.uk</b> Internet Source	<b>&lt;1%</b>

## Annexe 2: Household Questionnaire

### QUESTIONNAIRE

Dear Participant,

We, on behalf of CAP, are conducting a research project aimed at understanding how *Zakat* and *Sadaqah* can be effectively utilised to alleviate poverty and improve livelihoods in Sri Lanka. All information collected will be kept confidential and used solely for research purposes.

**Instructions:** Please read each question carefully and provide your answer in the space provided, and for multiple-choice questions, place the check mark (✓) on the listed options.

#### **Section 1: Personal Information**

1. District/Division/GN Division:
  
2. Age:
  - 15-30
  - 31-45
  - 46-60
  - Over 60
  
3. Gender:
  - Male
  - Female
  
4. Marital Status:
  - Single
  - Married
  - Widowed
  - Divorced
  
5. Number of Dependents: .....
  
6. Type of Housing:
  - Owned
  - Rented
  - Temporary/Shelter

7. Education Level:
- No formal education
  - Primary (up to Grade 5)
  - Secondary (Grades 6–11 or equivalent)
  - Any others

**Section 2: Economic Conditions**

8. What is your **primary** source of income? (Select one)
- No source of income
  - Employment (job/salary)
  - Self-employed (e.g., small business, daily labour)
  - Other (please specify): .....

9. Are you currently a beneficiary of any government welfare scheme? (e.g: Aswesuma, Samurdhi, disability allowance)

- Yes (answer 9.1)
- No

9.1 If yes, please specify: .....

10. Are your current financial resources sufficient to meet your needs?

- Yes
- No
- Somewhat

11. What is your daily income and expenditure?

Daily Income	Daily Expenditure
<input type="radio"/> Below LKR 500	<input type="radio"/> Below LKR 500
<input type="radio"/> LKR 500 - LKR 1,000	<input type="radio"/> LKR 500 - LKR 1,000
<input type="radio"/> LKR 1,001 - LKR 2,000	<input type="radio"/> LKR 1,001 - LKR 2,000
<input type="radio"/> Above LKR 2,000	<input type="radio"/> Above LKR 2,000

**Section 3: Details of Zakat and Sadaqat**

12. How long have you been receiving Zakat or Sadaqah?
- Less than 1 year
  - 1-2 years
  - 3-5 years
  - More than 5 years
13. How do you usually use the Zakat and Sadaqah funds you receive? (*Select all that applies*)
- For daily needs (food, clothing)
  - For health expenses
  - For children's education
  - To start or support a small business
  - To improve housing
  - Savings
  - Other (please specify): .....
14. What are the main challenges your household/institution faces in effectively using Zakat and Sadaqah funds for livelihood improvement or other intended purposes? (*Select all that applies*)
- Insufficient amount of funds received
  - Difficulty accessing or receiving the funds
  - Lack of clear guidance or information on how to use the funds
  - No support or training for starting income-generating activities
  - Delays in fund disbursement
  - Other (please specify): .....

**Section 4: Current Livelihood and Potential**

15. What kind of support from *Zakat* and *Sadaqah* funds would most help you improve your income or livelihood? (Select all that apply)

- Financial assistance to start or expand a small business
- Training or skill development programs funded through Zakat/Sadaqah
- Access to better job opportunities through Zakat/Sadaqah networks
- Tools, equipment, or resources provided via Zakat/Sadaqah
- Help with creating a business plan supported by Zakat/Sadaqah
- Connections with other business owners facilitated by Zakat/Sadaqah
- Other (please specify): .....

16. If you were to receive support to improve your income, which type of business or work would you be interested in starting or expanding? (Select all that applies)

- Farming or livestock
- Small shop or retail business
- Handicrafts or home-based production
- Services (e.g., tailoring, repairs)
- Food-related business (e.g., catering, food stalls)
- Other (please specify): .....
- I am not interested in starting or expanding a business

17. To your knowledge, are there any institutions or organisations in your area that provide Zakat, Sadaqah, or other forms of financial support?

- Yes (answer 17.1)
- No
- Somewhat

17.1 If yes, please list the name(s) or describe them briefly (if known):

.....  
.....  
.....

**Section 5: Future Goals and Ideas**

18. What are your goals for improving your livelihood in the next 5 years?

.....  
.....  
.....

19. What is stopping you from reaching these goals? *(Select all that apply)*

- Lack of money
- No access to markets or customers
- Lack of skills or training
- Health problems
- Other (please specify): .....

**Section 6: Additional Feedback**

20. Do you have any other suggestions for how Zakat and Sadaqah can be used to improve the livelihood in your community?

.....  
.....  
.....  
.....  
.....

**Thank you for your participation!**

## Annexe 3: Institutional Questionnaire

### Structured Questionnaire for Institutional Representatives and Key Members

Dear Participant,

We, on behalf of CAP, are conducting a research project aimed at understanding and improving the *Zakat* and *Sadaqah* system in Sri Lanka. Your insights and experiences are invaluable to this study. All information collected will be kept confidential and used solely for research purposes.

**Instructions:** Answer the questions if your institution has a mechanism to support livelihood projects or initiatives using Zakat/Sadaqah funds.

#### Section 1: General Information

- Institution/Organisation:
- Contact Information:

#### Section 2: Current System

1. Has your institution implemented any livelihood projects or initiatives funded by Zakat or Sadaqah?  
 Yes (answer the remaining question in this section)  
 No
2. If yes, please describe the key successes and challenges your institution has experienced in implementing these projects or initiatives.

3. Explain the mechanism you use to identify beneficiaries and distribute the funds for utilising Zakath/Sadaqah funds for livelihood projects or initiatives?

--

4. How effectively do you believe your institution utilises Zakat/Sadaqah funds in supporting livelihood projects or initiatives?

(1 - Not effective at all, 2 - Slightly effective, 3 - Moderately effective, 4 - Effective, 5 - Very effective)

1	2	3	4	5
---	---	---	---	---

5. To what extent has your institution been successful in measuring the impact of Zakat/Sadaqah-funded livelihood projects or initiatives on the community?

(1 - Not effective at all, 2 - Slightly effective, 3 - Moderately effective, 4 - Effective, 5 - Very effective)

1	2	3	4	5
---	---	---	---	---

6. Please describe the factors that have contributed to the success or failure of your institution's ability to measure the impact of Zakat and Sadaqah-funded livelihood projects or initiatives.

--

**Section 3: Institutional Dependencies**

7. Does your institution collaborate with other organisations or government bodies in administering Zakat/Sadaqah funds for livelihood projects or initiatives?

Yes (answer 7.1)

No

7.1. If yes, please provide the details of up to five organisations using the template.

	<b>Name of Organisation / Government Body</b>	<b>Brief Introduction</b>	<b>Nature of Collaboration</b>	<b>Level of Dependency (see below for the rating)</b>
Institute 1				
Institute 2				
Institute 3				
Institute 4				
Institute 5				

**Rating: (1 – Very Low, 2 – Low, 3 – Neutral, 4 – High, 5 – Very High)**

8. Explain how your institution follows up on the progress and outcomes of livelihood initiatives.

9. List down the difficulties you faced in the selection of beneficiaries and the allocation of Zakat/Sadaqah funds for livelihood projects or initiatives?

10. Have there been any incidents of misuse of Zakat/Sadaqah contributions in livelihood projects or initiatives?

Yes (answer 10.1)

No

10.1 . If yes, please provide specific details about the cases.

11. What measures have you implemented to prevent the misuse of Zakat/Sadaqah contributions in livelihood projects or initiatives?

12. What improvements would you suggest for enhancing the effectiveness of livelihood projects supported by Zakat/Sadaqah fund management?

**Thank you for your participation!**

## Annexe 4: Key Informant Interview Guide

# Key Informant Interview (KII) Guide

## Livelihood Development Related Stakeholders

### Participant Information

Name (Optional): .....

Position/Title: .....

Organisation/Institution: .....

Date of Interview:.....

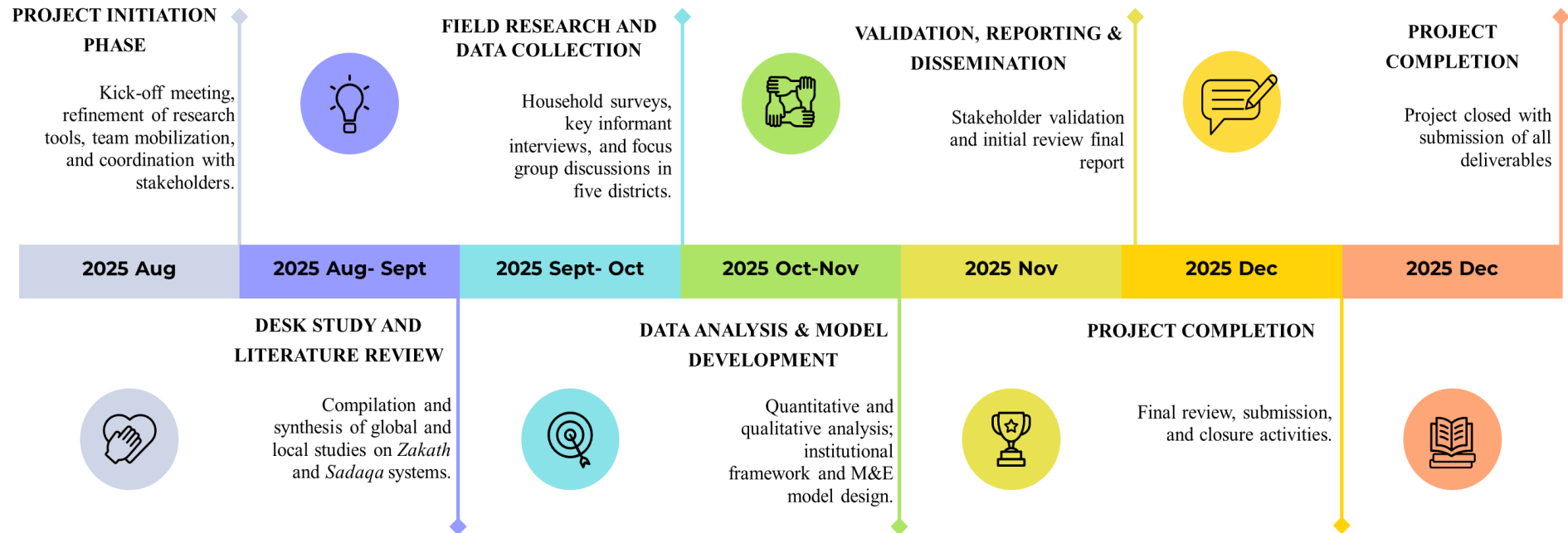
Location (District and GN/DSD):.....

### Structured Interview Questions

1. Can you describe your **role and involvement** in livelihood development in this area?
2. What types of **livelihood development initiatives** are currently being implemented here?
3. What kinds of **funding or financial support** are available for livelihood development projects in this community?
4. How do **communities participate** in the planning and implementation of these initiatives?
5. What **factors have contributed most to the success** of livelihood development projects in this area?
6. What are the **key challenges or barriers** faced in sustaining livelihood projects?
7. What livelihood opportunities do you see as having the greatest **potential for poverty reduction in this region**?

8. How have livelihood projects contributed to **reducing poverty and improving household well-being**?
9. What **monitoring and evaluation mechanisms** are in place for livelihood projects, and how effective are they?
10. What **recommendations** would you suggest to strengthen future livelihood development programs?

## Annexe 5: Work Plan



### Annexe 6: The Official Poverty line at the National level for September, 2025

	National	Colombo	Gampaha	Kalutara	Kandy	Matale	Nuwara Eliya	Galle	Matara	Hambantota	Jaffna	Mannar	Yavunia	Mulative	Kilinochchi	Bataloa	Ampara	Trincomalee	Kurunegala	Puttalam	Anurathapura	Polonnaruwa	Badulla	Monaragala	Ratnapura	Kegalle
Survey Year 2012/13 Rs.	5223	5429	5422	5287	5214	5246	5269	5049	5018	4811	5149	5395	5338	5166	5296	5287	5183	5223	5046	5218	4941	5151	5007	4746	5075	5273
Survey Year 2016 Rs.	6117	6640	6438	6406	6337	6223	6506	6040	5846	5867	5979	6109	5993	5936	5870	6231	6117	6059	6026	5970	5904	6139	5994	5759	6067	6362
Survey Year 2019 Rs.	6966	7513	7474	7312	7071	7061	7326	7078	6803	6768	6798	7135	6959	6917	6730	7004	7022	6787	6843	7111	6798	6816	7018	6661	6997	7284
2024 Jan. Rs.	<b>17014</b>	18350	18256	17860	17271	17247	17892	17287	16616	16530	16604	17426	16997	16894	16437	17107	17150	16577	16713	17368	16604	16648	17140	16268	17090	17790
2024 Feb. Rs.	<b>16975</b>	18308	18214	17819	17231	17207	17851	17247	16578	16493	16566	17386	16958	16856	16400	17067	17110	16539	16675	17328	16566	16610	17101	16231	17051	17749
2024 Mar. Rs.	<b>16619</b>	17924	17832	17445	16870	16846	17477	16886	16230	16147	16219	17022	16602	16502	16056	16709	16752	16193	16325	16965	16219	16262	16742	15891	16693	17377
2024 Apr. Rs.	<b>16476</b>	17770	17678	17295	16725	16701	17326	16740	16091	16008	16079	16875	16459	16360	15918	16566	16607	16053	16185	16819	16079	16122	16598	15754	16549	17227
2024 May. Rs.	<b>16326</b>	17608	17517	17138	16573	16549	17169	16588	15944	15862	15933	16722	16309	16211	15773	16415	16456	15907	16038	16665	15933	15975	16447	15610	16399	17071
2024 Jun. Rs.	<b>16468</b>	17761	17670	17287	16717	16693	17318	16732	16083	16000	16071	16867	16451	16352	15910	16558	16599	16045	16177	16810	16071	16114	16590	15746	16541	17219
2024 Jul. Rs.	<b>16373</b>	17659	17568	17187	16620	16597	17218	16636	15990	15908	15979	16770	16356	16258	15818	16462	16504	15953	16084	16713	15979	16021	16495	15655	16446	17120
2024 Aug. Rs.	<b>16152</b>	17420	17331	16955	16396	16373	16986	16411	15774	15693	15763	16544	16136	16038	15605	16240	16281	15738	15867	16488	15763	15805	16272	15444	16224	16889
2024 Sep. Rs.	<b>16073</b>	17335	17246	16872	16316	16293	16903	16331	15697	15616	15686	16463	16057	15960	15528	16160	16201	15661	15789	16407	15686	15727	16192	15369	16145	16806
2024 Oct. Rs.	<b>15994</b>	17250	17161	16789	16236	16213	16819	16251	15620	15539	15609	16382	15978	15882	15452	16081	16122	15584	15711	16327	15609	15650	16113	15293	16065	16723
2024 Nov. Rs.	<b>16017</b>	17275	17186	16813	16259	16236	16844	16274	15642	15562	15631	16405	16001	15904	15474	16104	16145	15606	15734	16350	15631	15673	16136	15315	16088	16748
2024 Dec. Rs.	<b>16191</b>	17462	17373	16996	16436	16412	17027	16451	15812	15731	15801	15583	16174	16077	15642	16279	16320	15776	15905	16528	15801	15843	16311	15481	16263	16929
2025 Jan. Rs.	<b>16334</b>	17617	17526	17146	16581	16557	17177	16596	15952	15870	15941	16730	16317	16219	15780	16423	16464	15915	16045	16674	15941	15983	16455	15618	16407	17079
2025 Feb. Rs.	<b>16318</b>	17599	17509	17129	16565	16541	17160	16580	15936	15854	15925	16714	16301	16203	15765	16407	16448	15899	16030	16657	15925	15967	16439	15603	16391	17062
2025 Mar. Rs.	<b>16302</b>	17582	17492	17112	16548	16525	17143	16563	15921	15839	15909	16697	16285	16187	15750	16391	16432	15884	16014	16641	15909	15952	16423	15587	16375	17046
2025 Apr. Rs.	<b>16342</b>	17625	17535	17154	16589	16566	17185	16604	15960	15878	15948	16738	16325	16227	15788	16431	16472	15923	16053	16682	15948	15991	16463	15626	16415	17087
2025 May Rs.	<b>16421</b>	17710	17619	17237	16669	16646	17268	16684	16037	15954	16026	16819	16404	16306	15864	16510	16552	16000	16131	16762	16025	16068	16543	15701	16494	17170
2025 Jun Rs.	<b>16516</b>	17813	17721	17337	16766	16742	17368	16781	16130	16047	16118	16916	16499	16400	15956	16606	16648	16092	16224	16859	16118	16161	16639	15792	16590	17269
2025 Jul Rs.	<b>16484</b>	17778	17687	17303	16733	16710	17335	16748	16098	16016	16087	16884	16467	16368	15925	16574	16616	16061	16193	16827	16087	16130	16606	15762	16558	17236
2025 Aug Rs.	<b>16397</b>	17684	17594	17212	16645	16621	17243	16660	16013	15931	16002	16794	16380	16282	15841	16486	16528	15976	16107	16738	16002	16044	16519	15678	16470	17145
2025 Sep Rs.	<b>16413</b>	17702	17611	17229	16661	16638	17260	16676	16029	15947	16018	16811	16396	16298	15857	16502	16544	15992	16123	16754	16018	16060	16535	15694	16486	17162

Source: Department of Census & Statistics, Sri Lanka- 2025

## Annexe 7: Related Hadith

### 1. Hanafī Madhhab (حنيفة)

Al-Kasānī, *Badā'i' al-Ṣanā'i'* (2/44)

Imam al-Kasānī states that Zakat must be **transferred into the ownership** of the poor person (not necessarily as cash):

"وَالْمَقْصُودُ تَمْلِيكَ الْمَالِ لِلْفُقَرَاءِ، وَذَلِكَ يَتَحَقَّقُ بِتَسْلِيمِهِ إِلَيْهِمْ، سَوَاءً كَانَ نَقْدًا أَوْ عَرَضًا"

"The purpose is to transfer wealth into the ownership of the poor. This is fulfilled by giving it to them, whether it is cash or goods."

### 2. Mālikī Madhhab (مالكية)

Al-Dardīr, *al-Sharḥ al-Kabīr* (1/499)

Maliki scholars explicitly allow giving Zakat in forms that help the poor become independent:

"وَيُعْطَى الْفَقِيرُ مَا يَكْفِيهِ لِمَعِيشَتِهِ؛ وَإِنْ كَانَ ذَلِكَ بِالْأَلَاتِ أَوْ صَنْعَةٍ يَعْمَلُ بِهَا"

"The poor person may be given what sustains his livelihood, even if that is in the form of tools or equipment with which he can work."

### 3. Ḥanbalī Madhhab (حنبلية)

Ibn Qudāmah, *al-Mughnī* (4/314)

Ibn Qudāmah states:

"وَإِنْ رَأَى السَّاعِي أَنْ يُعْطِيَهُ أَلَةً يَعْمَلُ بِهَا أَوْ حَاجَةً تَنْفَعُهُ فَهُوَ جَائِزٌ"

"If the zakat distributor sees that giving the poor a tool to work with, or something beneficial to them, is better, it is permissible."

### 4. Shāfi'ī Madhhab (شافعية)

While traditionally preferring cash, contemporary Shāfi'ī jurists allow livelihood assets **with ownership transfer**.

Nawawī, *al-Majmū'* (6/192)

Al-Nawawī writes:

"المقصود إيصالُ الزكاة إلى المستحق، ويجوز أن يكون ذلك بعينٍ ينتفع بها"

*"The purpose is delivering zakat to the eligible recipient, and this may be done through an item from which he benefits."*

Contemporary Shāfi'ī fatwa councils (Malaysia, Singapore, and Indonesia) use this reasoning to allow zakat-funded livelihood programs.

## 5. Modern International Fatwa References

International Islamic Fiqh Academy (OIC) - Resolution No. 24 (1988)

"جواز صرف الزكاة في مشروعاتٍ تنمويةٍ لصالح الفقراء والمساكين لتمكينهم من الكسب"

*"It is permissible to allocate zakat to developmental projects for the poor and needy to enable them to earn."*

Righteousness is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveler, those who ask [for help], and for freeing slaves; [and who] establishes prayer and gives zakah; [those who] fulfill their promise when they promise; and [those who] are patient in poverty and hardship and during battle. Those are the ones who have been true, and it is those who are the righteous.

### **Surah Al-Baqarah Ayat 177 (Qur'an2:117)**



CAP 003-Not for Circulation