

BAITULMAL ISSUES AND CHALLENGES IN ISLAMIC COUNTRIES

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Abstract: *This qualitative research aims to explore and analyze the contemporary issues and challenges faced by Baitulmal across diverse Islamic countries. Drawing on document analysis and case studies, the study delves into the multifaceted aspects of Baitulmal, investigating its role, functionality, and relevance in the context of modern Islamic economies. By focusing on a range of Islamic countries, including but not limited to Malaysia, the research identifies common themes and unique challenges that shape the current landscape of Baitulmal. The research shedding light on the socioeconomic, political, and cultural factors influencing the effectiveness of Baitulmal in different nations. Through the lens of Islamic finance experts, scholars, and policymakers, the study examines the adaptability of Baitulmal to contemporary economic systems and assesses its alignment with Sharia principles. Key themes explored include the governance structures of Baitulmal, its role in wealth distribution and poverty alleviation, the integration of technology, and its responsiveness to global economic trends. Additionally, the research investigates the impact of cultural and geopolitical factors on the operations and perception of Baitulmal in Islamic societies. Findings from this study aimed to contribute to the ongoing discourse on the revitalization and optimization of traditional Islamic financial institutions in the contemporary era. The research not only provides insights into the challenges faced by Baitulmal but also offers recommendations for potential reforms and innovations that could enhance its efficacy in fulfilling its intended socioeconomic roles within the diverse landscape of Islamic countries. In the end, this research recommended several potential research areas that important to explore for Baitulmal development in future.*

Keywords: *Baitulmal, Islamic Finance, Wealth Distribution, Socioeconomic Challenges, Contemporary Islamic Economies*

Introduction

Particularly in the early Islamic Caliphate, the historical Islamic financial institution known as Baitulmal was extremely important to the economic frameworks of Islamic communities. Baitulmal, which was founded on the tenets of Islamic finance, functioned as a central clearinghouse for the management and allocation of funds, promoting social welfare via programs like wealth distribution and poverty reduction. The Islamic banking scene has changed over the ages, bringing with it both new opportunities and problems for organizations such as Baitulmal.

With the complexity of globalization, technical breakthroughs, and changing geopolitical dynamics posing challenges to modern Islamic economies, it is critical to reassess the function and effectiveness of traditional institutions like Baitulmal. The rapid global economic changes clearly impact to the Baitulmal as a Socio-economics institution, politically and economically (Possumah & Baharudin, 2020). This study aims to investigate and evaluate the problems and difficulties that Baitulmal faces in various Islamic nations, assessing its applicability and relevance in the contemporary day.

The impetus for this study is the necessity of bridging Baitulmal's historical background with the contemporary socioeconomic environment, offering an understanding of the issues it faces now and putting up suggestions for its rehabilitation. Through conducting a thorough analysis of Baitulmal in many Islamic nations, this research seeks to add significant insights to the current discussion on Islamic finance, governance, and social welfare. Early on in the history of Islam, Baitulmal was established as a financial organization that oversaw the caliphs' handling of public monies and the collection of zakah. Based on historical narratives, the organization operated on the tenets of fairness, justice, and adherence to Sharia law, which is consistent with the larger Islamic economic doctrine (Kuran, 2005). The organization was crucial to the socioeconomic advancement of early Islamic society by distributing wealth through programs like zakat (Siddiqi, 2006).

Rationale for the Study

Baitulmal's foundations are clarified by the historical backdrop, yet modern issues demand a reassessment of its design and operation. For conventional Islamic financial institutions, the globalization of economies, technological breakthroughs, and varied geopolitical environments provide particular difficulties. According to academics, comprehending these difficulties is essential to formulating plans that guarantee Baitulmal's and other institutions' continuous applicability and efficiency in tackling modern economic problems in Islamic cultures (El-Gamal, 2006).

In addition to examining wealth distribution and poverty alleviation, this research strives to identify and analyze the current difficulties encountered by Baitulmal in Islamic countries. It also evaluates the degree to which these issues are responsive to global economic trends and technology breakthroughs. Lastly, to offer suggestions for enhancing Baitulmal's performance in modern Islamic economies. Through the pursuit of these goals, this study advances our knowledge of Islamic finance, governance, and social welfare. It provides information that scholars, practitioners, and politicians can use to improve Baitulmal's and related organizations' ability to navigate the intricacies of the contemporary economic environment.

This study will examine Baitulmal's problems and difficulties in various Islamic nations in detail as well as provide a theoretical framework and thorough literature evaluation in the sections that follow.

Literature Review

Baitulmal's historical development has its origins in the early Islamic Caliphate, when it became a crucial institution supported by Islamic economic theories. Baitulmal's development may be followed through significant historical junctures, illustrating its varied functions in zakat, wealth management, and community welfare.

a. Islamic Caliphate in its early years

The Prophet Muhammad (s.a.w.) was the founder of Baitulmal, which rose to prominence under the Rashidun Caliphs (632–661 CE). It functioned as the central treasury in charge of overseeing the money gathered through various jizya and zakat schemes (al-Maqdisi, 1985). The organization was closely associated with the fairness and distribution of riches that are mandated by Islamic law (Sharia). The money raised was used to benefit the underprivileged, orphans, and other vulnerable populations in the Muslim community (al-Mawardi, 1996).

b. Periods of Umayyad and Abbasid

The Baitulmal heritage was upheld by the Umayyad and Abbasid Caliphates (661–1258 CE), who improved the administrative framework and expanded the institution's range of duties. As a key figure in Islamic rule, Baitulmal oversaw trade and the profits from recently captured areas (Gibb, 1962).

Baitulmal was instrumental in providing funding for the building of public infrastructure during this time, including roads, bridges, and educational facilities. It illustrated how Islamic government incorporates social welfare and economic concepts (Kahf, 1998).

c. Empire of the Ottomans

The Ottoman Empire (1299–1922) brought much further institutionalization for Baitulmal. Baitulmal's administrative features were improved by the Ottomans, who also instituted precise rules for taxation and spending (Inalcik, 1973).

Throughout the Ottoman era, Baitulmal continued to support humanitarian endeavors, military outlays, and public works projects, proving its flexibility in responding to the shifting demands of a sizable and heterogeneous empire (Farooq, 2005).

d. Decline and Current Era

A number of reasons contributed to Baitulmal's demise include the fall of the Ottoman Empire and the emergence of contemporary financial organizations. Traditional Islamic financial structures were further sidelined by Western-style economic systems and colonial influences (Chapra, 1996).

In the modern era, state treasuries and organized banking systems have supplanted Baitulmal's roles in many Muslim-majority nations. But current talks in the realm of Islamic finance have rekindled interest in the possibility of bringing Baitulmal's ideas back to life in order to deal with today's economic issues (Zaidi, 2013).

Traditional Functions and Roles

As a historically significant Islamic financial institution, Baitulmal has long fulfilled a variety of functions that are consistent with the Islamic legal doctrines of justice, equity, and

socioeconomic welfare. The institution's roles changed over time, but they always revolved around supporting the weaker members of society and managing zakat.

a. Management of Zakat Collection

The gathering and administration of several types of wealth, including as zakat, a required almsgiving for qualified Muslims, was one of Baitulmal's main responsibilities (Siddiqi, 2006). Serving as a single repository for these money, the institution made sure they were allocated and used properly for the good of the community. Despite the increase in the amount of zakat being distributed to the recipients, there are complaints received from asnafs with regard to the quality of services rendered to them (Raja Ahmad, Othman & Salleh, 2015).

b. Distribution of Wealth and Reduction of Poverty

Baitulmal was a key figure in the distribution of wealth, allocating funds to fight poverty and assist the underprivileged. In accordance with the values of social justice and solidarity (Quran 9:60), zakat funds gathered by Baitulmal were disbursed to groups including the underprivileged, orphans, debtors, and travelers (al-Mawardi, 1996). However, there are challenges which need to be dealt with by Baitulmal in order that the inheritance may be utilised for the well-being of the whole society (Ahmad, Rozali, Adnan, Zakaria, 2020)

c. Funding Public Infrastructure

Baitulmal actively participated in the funding of public infrastructure initiatives, such as the building of highways, bridges, and educational facilities. This part of its duty demonstrates a dedication to societal advancement and the delivery of necessary services (Kahf, 1998).

d. Financial Support for Education

Understanding the value of knowledge and education in Islamic society, Baitulmal has long supported academic institutions and intellectuals financially. The purpose of this role was to support the community's intellectual and cultural growth (Gibb, 1962).

e. Assistance with Social Welfare Initiatives

Baitulmal made contributions to a number of social welfare initiatives, such as housing, healthcare, and support for widows and orphans. Its duties went beyond only allocating riches; it also addressed more significant socioeconomic issues facing the neighborhood (al-Maqdisi, 1985). In facing the Covid-19 pandemic, Zakat as an Islamic social fund has a role in overcoming this crisis, by providing assistance to the communities which is directly affected by the crisis (Hambari, Zaim, Arif, 2020).

f. Military Expenditure

In times of war, Baitulmal contributed to the funding of armed activities. This role demonstrated Baitulmal's all-encompassing involvement in society, covering both defense-related and civilian spending (Farooq, 2005).

Perspectives on Baitulmal in the Present

Modern viewpoints on Baitulmal have surfaced in response to changes in the global economic environment, mirroring conversations in the governmental bodies, academic institutions, and Islamic financial circles. These viewpoints examine Baitulmal's applicability, difficulties, and prospects for revival in contemporary Islamic economy.

a. Reviving and Being Flexible

The current discourse highlights the necessity of reinvigorating conventional Islamic financial institutions, such as Baitulmal, in order to tackle the economic obstacles of the modern day. Scholars contend that despite being true to Islamic economic principles, these institutions should be modified to fit modern circumstances (Zaidi, 2013).

b. Transparency and Governance

Concerns about transparency and governance have been more prominent in modern Baitulmal viewpoints. The successful operation of Baitulmal in the contemporary financial environment is thought to depend on initiatives to improve accountability, transparency, and efficiency (Chapra, 2008).

c. Technology Integration

Discussions in the present day emphasize how technology could support Baitulmal. Adopting contemporary financial technologies helps preserve Islamic values while improving fund administration, distribution, and overall financial operations' efficiency (Iqbal, 2001).

d. Development of Socioeconomic

Modern viewpoints on Baitulmal highlight its potential contribution to socioeconomic growth within the larger framework of sustainable development. Recent research makes frequent calls for resolving urgent problems like economic disparity and coordinating Baitulmal's functions with modern development aims (Kahf, 2015).

e. Function within Islamic Finance

The function of Baitulmal in the larger context of Islamic finance is a major area of emphasis in modern viewpoints. Scholars investigate the ways in which Baitulmal can collaborate and enhance contemporary Islamic banking and financial establishments to establish a more comprehensive and all-encompassing financial framework (Hassan & Lewis, 2007).

Research Methodology

The study of Baitulmal's problems and difficulties in Islamic nations uses a qualitative methodology that includes case studies and document analysis. This methodology attempts to give a thorough grasp of Baitulmal's current state in a variety of Islamic countries.

The study uses a qualitative research design in recognition of the requirement for in-depth investigation and analysis of intricate Baitulmal-related occurrences. A deeper knowledge of Baitulmal's struggles in various socioeconomic and cultural situations is made possible by qualitative methodologies (Creswell & Creswell, 2017).

A thorough examination of reviews of the literature and reports from Islamic financial institutions was being done. Bowen (2009) claims that this method enables a more thorough comprehension of Baitulmal's past, present, and future.

Issues and Challenges of Baitulmal

The modern environment facing Baitulmal, the venerable Islamic bank, is characterized by a number of problems and difficulties that demand close scrutiny. The following lists the main difficulties Baitulmal encountered negotiating the complexities of contemporary Islamic economy, while acknowledging its historical relevance.

a. Governance Structures

Absence of Modern Governance Practices: Baitulmal can struggle with antiquated governance frameworks that make it difficult for the company to adjust to modern financial situations. To maintain its relevance, it becomes essential to improve accountability and openness and implement contemporary governance techniques (Chapra, 2008).

b. Function in the Distribution of Wealth

Baitulmal encounters difficulties in allocating resources in an efficient manner to mitigate current socio-economic inequalities. Making sure that resources are distributed fairly to address the changing demands of society becomes essential (Iqbal, 1997).

c. Technology Integration

Technological Adaptation: Baitulmal faces difficulties in integrating technology into its activities. Strategic planning and investments in technology infrastructure are necessary to stay Sharia-compliant while embracing current financial technologies (El-Qorchi, 2005). For example, digital transformation and the integration of financial technology (fintech) in Baitulmal's operations is very important in supporting Baitulmal functions (Al-Aidaros&Abdul-Rahman, 2020)

d. Adaptability to Worldwide Economic Trends

Global Economic Integration: Baitulmal has to maneuver through the intricacies of an international economy. Maintaining its roles in the modern day requires it to successfully respond to global economic changes, including trade dynamics and financial advances (Siddiqi, 2006). Investigating Baitulmal's role in supporting climate-resilient economic development can be an important avenue. Baitulmal also can explore sustainable investment practices and covering environmental considerations within Islamic finance (Salman&Hassan, 2022)

e. Political and Socioeconomic Aspects

Influence of Socioeconomic issues: In Islamic countries, broader socioeconomic and political issues have an impact on the success of Baitulmal. Its successful operation depends on addressing cultural influences, political stability, and regional inequities (Kahf, 1998).

Case Studies of Baitulmal in Malaysia

Five facets of Baitulmal functions and operations were used to choose the case studies since they were thought to be crucial for additional research and development.

a. Governance Structures and Transparency

Yayasan Pembangunan Ekonomi Islam, or YaPEIM, is the Islamic Economic Development Foundation. It was founded on October 13, 1952, by the Federal Government. Examining YaPEIM offers valuable perspectives on the transparency policies and governance frameworks of a modern Islamic financial institution in Malaysia. Examining its governance structure and organizational procedures can help Baitulmal learn possible lessons and overcome obstacles. According to Yapeim Annual Reports 2020, it has made a major initiative to promote the welfare of the underprivileged populations.

b. Function in the Distribution of Wealth

Lembaga Zakat Selangor (Selangor Zakat Board): By concentrating on the Selangor Zakat Board, it is possible to assess the effectiveness of wealth distribution systems in a particular Malaysian region. Gaining an understanding of the procedures involved in the collection,

management, and distribution of zakat monies will help tackle issues pertaining to the distribution of wealth (Lembaga Zakat Selangor Annual Report 2021).

c. Technology Integration:

Bank Islam Malaysia Berhad (BIMB): BIMB provides an appropriate case study to investigate how technology is integrated into Islamic banking. Baitulmal can learn how to adjust to contemporary financial technologies by looking to BIMB's technological innovations, especially in digital banking and financial services (Bank Islam Malaysia Berhad Annual Report, 2021).

d. Adaptability to Worldwide Economic Trends

Examining the functions and activities of the International Islamic Liquidity Management Corporation (IILM) might help one comprehend how Islamic financial institutions—especially those with an international focus—respond to and manoeuvre through global economic trends. Baitulmal's strategy for global economic integration can benefit from the lessons learnt from IILM (IILM, 2023).

e. Political and Socioeconomic Aspects

One of the biggest investment firms in Malaysia, Permodalan Nasional Berhad (PNB), offers a case study on managing political and socioeconomic variables. Examining PNB's approaches to handling a variety of investments and reacting to political situations can provide light on Baitulmal's problems (PNB Annual Report, 2022).

The case studies emphasised the organisations that demonstrate best practises in the relevant areas and can be modified for Baitulmal management. After realizing the various best practices mentioned above in different Islamic institutions, it is crucial that we comprehend the variables affecting Baitulmal operations, which will be covered in more detail below.

Factors Influencing Baitulmal

It is necessary to take into account a number of aspects that influence Baitulmal's operations and results in order to comprehend both its effectiveness and its challenges. Baitulmal is influenced by the following elements in the context of modern Islamic economies:

a. Socioeconomic Elements

Economic Development and Poverty Alleviation: Baitulmal is greatly influenced by a nation's larger economic environment. The demand for Baitulmal's services and the efficiency of its wealth distribution mechanisms are influenced by factors such as the degree of economic development, income distribution, and poverty rates (Kahf, 1998). Baitulmal needs to pay close attention to this element since it directly affects the population that is most vulnerable. Among Baitulmal assestment to some poor households, they have been giving production capital, and in turn positively affects poverty reduction and food security situation. This implied that zakat is one possible route to reduce poverty and strengthen household's food security in the community (S.Sumai et al, 2019).

b. The Political System

Baitulmal functions within the parameters set forth by governmental policy and assistance. An analysis of the political dynamics such as the legal framework, governmental policies, and encouragement of Islamic finance offers insights into the forces that support and impede Baitulmal's operations (Siddiqi, 2006).

c. Influences of Culture and Religion

Islamic values and cultural acceptance: Following Islamic principles and accepting Islamic financial institutions are important. A thorough understanding of Baitulmal's role is aided by case studies that investigate how religious convictions and cultural norms affect public opinion and interaction with the organization (El-Gamal, 2006). Being an Islamic nation with a predominately Muslim population, Baitulmal was positioned as a unique financial organization that was crucial to community life quality improvement and education. In strengthening Muslim economy, the roles of women participation also contributed significant benefit for community development (Azmi&Ahmad, 2020)

d. Geopolitical Aspects

Regional Stability and Cooperation: Geopolitical variables may have an impact on Baitulmal's activities. External factors influencing Baitulmal can be identified by examining case studies pertaining to geopolitical cooperation, regional stability, and the effect of international relations on Islamic finance institutions (Zaidi, 2013). Consequently, Baitulmal, through the use of Islamic finance mechanisms, has the power to impact geopolitical variables in a way that advances social stability and advancement.

e. Innovations in Technology

Adoption of Financial Technologies: One important aspect is how technology is integrated into financial organizations. An analysis of the financial technology adopted by Baitulmal and related institutions for Sharia compliance, client interaction, and operational efficiency offers insights into their adaptability (Iqbal, 2001). This is an opportunity that should be seized at all costs in order to maximize the benefits for community development. This includes exploring the adoption of blockchain, mobile banking, and other technologies for efficient wealth distribution (Al-Aidaros& Abdul-Rahman, 2020).

In order to fulfill the Islamic maqasid syaria, Baitulmal must take deliberate and effective measures to address each of the aforementioned influencing variables. As a result, the following section had a number of recommendations.

Suggestions and Strategies for Reform

In light of recent advancements in the realm of Islamic finance and the obstacles encountered by Baitulmal, the ensuing suggestions and approaches for reform are put forth:

a. Transparency and Governance

Boosting Governance Structures: Baitulmal has to update its governance frameworks to better reflect contemporary standards. This entails putting in place accountable procedures, open reporting systems, and corporate governance guidelines akin to those used by prosperous Islamic financial organizations (Chapra, 2008).

b. Integration of Technology

Embracing Financial Technologies: In order to improve operational efficiency, Baitulmal should give priority to the integration of financial technologies. This entails making investments in digital platforms that are safe, Sharia-compliant, and facilitate fund administration, transactions, and client relationships (Iqbal, 2001).

c. Impact on Society and Economy

Impact assessments: Baitulmal needs to evaluate its socioeconomic effects on a regular basis to make sure that wealth is distributed fairly. By putting impact evaluations into practice, organizations can gain important insights into the results of their initiatives and make necessary adjustments to better meet the changing demands of society (Kahf, 1998). Focus also can be made on conducting comprehensive social impact assessments of Baitulmal's programs, measuring the effectiveness of wealth distribution in poverty alleviation and community development (Qasim&Akhtar, 2021).

d. International Economic Participation

Strengthening International Partnerships: Baitulmal should look for chances for cross-border cooperation in response to current global economic developments. Its international standing will be improved by fortifying alliances with major Islamic financial institutions and taking part in programs that encourage cross-border collaboration (Zaidi, 2013). According to Ibrahim & Alsulami (2021) cross-country comparative analysis of Baitulmal-like institutions in different Islamic countries, exploring variations in governance structures, operational practices, and socio-economic impacts should be conducted in looking for the mutual benefits.

e. Participation in the Community and Education

Encouraging Financial Literacy: Baitulmal has to get involved in the community and contribute to financial literacy initiatives. Public awareness of Islamic finance, Baitulmal's function, and the advantages of its initiatives will increase acceptance and support (Iqbal, 1997).

f. Advocacy for Regulation and Policy

Promoting Supportive Policies: Baitulmal has to actively interact with legislators in order to promote legislation that will facilitate trade. It will be easier for Islamic finance institutions to operate and expand if they work with governmental organizations to establish an environment that supports them (Siddiqi, 2006).

Areas for Future Research

Even if the current research clarifies current issues and reform approaches for Baitulmal, there are still a number of unanswered questions that offer fascinating prospects for further study. We recommend more research in the following areas:

a. Social Welfare and Impact Assessment

Evaluating the social welfare effects of Baitulmal's activities through thorough impact assessments. This involves assessing the institution's contribution to sustainable development and poverty reduction as well as the efficiency of wealth distribution systems.

b. Novel Approaches to Wealth Distribution Models

Looking at cutting-edge, Islamically-compliant wealth distribution models. This entails investigating different methods for distributing and collecting zakat, taking into account blockchain technology and digital platforms.

c. Cross-National Comparative Evaluation

Carrying out a comparative cross-national study of Baitulmal-like organizations in various Islamic nations. Variations in operational procedures, governance structures, and the effects of geopolitical and cultural variables could all be examined in this study.

d. Gender-Neutral Financial Initiatives

Examining Baitulmal's initiatives' gender aspects and evaluating their effects on women's financial inclusion. This involves investigating methods to increase women's involvement in the economy and decision-making.

e. Economic Development That Is Climate-Resilient

Analyzing Baitulmal's contribution to climate-resilient economic growth. This entails looking into prospects for environmentally friendly investments, evaluating the effects of investments on the environment, and fusing Islamic finance principles with ecological concerns.

f. Baitulmal Operations and Behavioral Economics

Utilizing behavioral economics concepts to comprehend Baitulmal administrators' and beneficiaries' decision-making procedures. This study may investigate the ways in which behavioral insights can guide the creation and execution of financial programs that are more successful.

Subsequent investigations in these domains may enhance our comprehension of Baitulmal's function in modern Islamic economies and offer perspectives to researchers, practitioners, and policymakers.

Conclusion

To sum up, the investigation into Baitulmal has uncovered important chances and problems that demand careful thought and calculated response. In order to meet urgent socio-economic requirements, Baitulmal, a venerable organization with historical value, must constantly modify its position in modern Islamic economies. The conclusions' implications for practice and policy provide a road map for changes that can increase Baitulmal's efficacy and applicability.

The issues that have been found, which include anything from technology integration to governance frameworks, highlight the necessity of a flexible strategy. Reforms in governance, especially those that bring them into line with contemporary business procedures, become essential. Building trust and ensuring responsiveness to changing economic landscapes requires the implementation of modern governance principles, accountability mechanisms, and transparent reporting (Chapra, 2008).

Baitulmal's programs need to be strategically reevaluated in order to address inefficiencies in wealth distribution. Enhancing the institution's socio-economic impact can be achieved through impact assessments and distribution model improvements that incorporate blockchain technology and digital platforms (Kahf, 1998; Iqbal, 2001).

While there are obstacles associated with technological integration, there are also chances to improve productivity. Baitulmal's operational capabilities and client interaction can be enhanced by embracing financial technologies while adhering to Sharia compliance (Iqbal, 2001).

The study also emphasizes how Baitulmal must manage international economic trends while taking regional stability, geopolitical pressures, and cultural quirks into account. Baitulmal can position itself as a major participant in the wider Islamic finance scene by forming international connections and participating in international projects (Zaidi, 2013).

Initiatives for education and community involvement, as well as support for laws that benefit the community, stand out as essential elements. Baitulmal's role can be better understood and

its impact can be sustained through financial literacy programs, gender-inclusive initiatives, and cooperative efforts with policymakers (Iqbal, 1997; Siddiqi, 2006).

The research ends by laying the foundation for more investigation. Prospective fields of study for researchers include impact assessments, gender-inclusive financial policies, and climate-resilient economic development. Baitulmal may adapt to the changing demands of modern Islamic economies by means of sustained research and calculated changes, guaranteeing its legacy of promoting social justice and economic equity for all.

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