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Zakat computation in Islamic banking: Evidence from Bangladesh and Turkey

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ABSTRACT

Purpose – Zakat constitutes one of the fundamental pillars of Islamic finance and serves as a key mechanism for socio-economic redistribution, poverty alleviation, and social justice. Despite its significance, limited comparative research has examined how zakat is calculated, governed, and institutionalized within Islamic banking systems across different national contexts. This study addresses this gap by comparatively analyzing zakat computation practices in the Islamic banking sectors of Bangladesh and Turkey. It argues that variations in regulatory frameworks, institutional arrangements, and governance mechanisms significantly influence the effectiveness and standardization of zakat implementation.
Design/Methodology/Approach – The study employs a qualitative comparative case study design. Data were collected through document analysis of regulatory frameworks, central bank guidelines, AAOIFI standards, institutional reports, and scholarly literature. Two leading Islamic financial institutions, Islami Bank Bangladesh Limited (IBBL) and Kuveyt Türk Katılım Bankası, were selected as representative case studies. The collected data were analyzed using comparative institutional analysis to identify similarities, differences, and governance patterns in zakat computation and administration.
Findings – The findings reveal significant institutional differences between the two countries. Bangladesh has partially integrated zakat into Islamic banking operations through institutional practices and dedicated zakat initiatives, although regulatory harmonization remains insufficient. In contrast, Turkey provides centralized religious guidance through the Diyanet system but lacks formal institutional integration of zakat within participation banking. The study further identifies common challenges in both jurisdictions, including the absence of standardized zakat accounting procedures, inconsistencies in asset valuation methods, limited regulatory coordination, and governance-related constraints.
Originality/Value – This study contributes to the growing literature on Islamic finance by providing one of the few comparative examinations of zakat computation practices between Bangladesh and Turkey. By integrating perspectives from Islamic accounting, regulatory governance, and institutional economics, the research offers new insights into how different governance structures shape zakat implementation within Islamic financial institutions. The study also extends discussions on the applicability of AAOIFI standards across diverse Islamic banking environments.
Research Limitations/Implications – The study is limited to two case institutions and relies primarily on qualitative document-based analysis, which may restrict the generalizability of the findings. Future research may expand the scope by incorporating additional countries, quantitative data, and stakeholder interviews to evaluate the operational effectiveness and socio-economic outcomes of institutional zakat management. The findings suggest the need for further scholarly investigation into cross-country harmonization of zakat governance frameworks.

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Practical Implications – The findings provide valuable insights for policymakers, Islamic banking regulators, Shariah supervisory bodies, and financial practitioners. The study recommends greater alignment with AAOIFI standards, the development of digital zakat management platforms, enhanced regulatory oversight, and stronger coordination among financial institutions, religious authorities, and government agencies. Such measures could improve transparency, accountability, efficiency, and the overall socio-economic impact of zakat within contemporary Islamic financial systems.
Keywords – Zakat computation, Islamic banking, Bangladesh, Turkey, AAOIFI
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INTRODUCTION

Zakat plays an important role in Islamic finance as both a religious obligation and a mechanism for socio-economic redistribution. Within Islamic banking, zakat is expected to contribute not only to individual religious compliance but also to broader objectives such as poverty alleviation, financial inclusion, and social justice (Qaradawi, 1999, pp. 53–54). As Islamic banking expands globally, the institutional integration of zakat into banking operations has become an increasingly important issue for Islamic finance governance.

Islamic banks differ from conventional financial institutions because they are expected to operate according to Shariah principles and promote ethical economic objectives alongside commercial activities. Consequently, Islamic banks are often viewed as potential intermediaries for zakat management, collection, facilitation, and distribution (Siddiqi, 2006, pp. 118–119). However, despite the rapid growth of Islamic finance, zakat computation and institutionalization remain fragmented across Muslim-majority countries due to differences in legal systems, regulatory frameworks, and Shariah interpretations (Hassan & Lewis, 2007, pp. 92–94).

Bangladesh and Turkey represent two contrasting models of zakat integration within Islamic banking systems. Bangladesh has developed a relatively strong Islamic banking sector since the establishment of Islami Bank Bangladesh Limited (IBBL) in 1983, with Islamic banking now accounting for nearly one-third of the country's banking assets (Bangladesh Bank, 2022, p. 14). Nevertheless, zakat practices remain largely voluntary, decentralized, and weakly standardized. In contrast, Turkey's participation banking sector operates under a secular legal framework where religious guidance is centralized through the Directorate of Religious Affairs (Diyanet). Although Diyanet provides authoritative rulings regarding zakat obligations, participation banks have limited institutional involvement in zakat computation and collection (Yildirim, 2018, pp. 65–67).

These differences reveal an important research problem. Existing scholarship has extensively discussed zakat as a theological principle, charitable mechanism, or poverty alleviation instrument, but limited attention has been given to its operationalization within formal Islamic banking systems, particularly through comparative institutional analysis (Ahmed, 2011, pp. 134–136). Moreover, the technical and regulatory dimensions of zakat computation, such as treatment of modern financial instruments, liability deductions, accounting cycles, and institutional governance, remain insufficiently explored in comparative Islamic finance literature.

This issue is increasingly significant because Islamic banking institutions are expanding rapidly while regulatory harmonization regarding zakat practices remains limited. Weak institutional frameworks may reduce transparency, create inconsistencies in zakat computation, and limit the effectiveness of Islamic social finance in addressing socio-economic inequality. Therefore, understanding how different Islamic banking systems integrate zakat practices has important implications for Islamic finance governance, financial inclusion, and poverty reduction policies.

Against this background, this study comparatively examines zakat computation practices in Islamic banking systems in Bangladesh and Turkey. Specifically, the study aims to: (1) analyze the legal and Shariah foundations of zakat practices within Islamic banking; (2) evaluate institutional and regulatory frameworks governing zakat computation in both countries; and (3) identify the major challenges and opportunities for harmonizing zakat practices according to international Islamic finance standards such as AAOIFI.

To achieve these objectives, the study adopts a qualitative comparative case-study approach focusing on Islami Bank Bangladesh Limited (IBBL) and Kuveyt Türk Katılım Bankası (KTKB). The analysis draws on central bank reports, Diyanet publications, AAOIFI standards, Shariah governance reports, annual reports, and secondary academic literature.

This study contributes by comparatively analyzing zakat computation practices within two different dual banking systems and highlighting the institutional gap between religious guidance and operational banking practices. It further contributes by examining the regulatory, technical, and governance challenges affecting zakat integration in Islamic banking. Finally, the study provides policy recommendations regarding standardization, digital zakat platforms, and harmonization through AAOIFI standards to strengthen the role of zakat within Islamic social finance and contemporary Islamic banking systems.

LITERATURE REVIEW

Zakat and Islamic Social Finance

The literature conceptualizes zakat not only as a religious obligation but also as an institutional mechanism for socio-economic redistribution and social justice. Classical scholars such as Kahf (1997, pp. 28–33) and Qaradawi (1999, pp. 61–63) emphasize zakat's role in reducing inequality and supporting collective welfare within Islamic economic systems. Contemporary Islamic economic scholarship further links zakat with ethical finance, poverty alleviation, and sustainable social welfare mechanisms (Siddiqi, 2006, pp. 116–118). However, modern Islamic finance introduces technical complexities concerning nisab calculation, liability deductions, and valuation of financial assets such as equities and sukuk, requiring reinterpretation of classical fiqh principles within contemporary financial systems (Kamali, 2008, p. 224).

Zakat and Islamic Banking

Recent scholarship increasingly examines the relationship between zakat and Islamic banking. Islamic banks are considered institutionally capable of facilitating zakat collection, computation, and distribution because they operate under Shariah-based financial frameworks (Hassan & Lewis, 2007, pp. 94–96). Nevertheless, existing studies indicate that integration of zakat within Islamic banking remains inconsistent across jurisdictions due to fragmented regulatory systems and weak standardization. Although AAOIFI introduced guidelines concerning zakat accounting and reporting, implementation remains uneven among Islamic financial institutions (Hassan & Kayed, 2011, pp. 190–191). This demonstrates a broader governance challenge in Islamic finance where zakat often remains voluntary and weakly institutionalized despite the rapid expansion of Islamic banking.

Institutional Approaches in Bangladesh and Turkey

Empirical studies reveal significant differences in zakat institutionalization between Bangladesh and Turkey. In Bangladesh, Islamic banks such as Islami Bank Bangladesh Limited (IBBL) facilitate zakat through advisory services and charitable initiatives; however, centralized regulatory frameworks and standardized governance mechanisms remain limited (Rahman, 2010, pp. 207–209). Scholars further argue that fragmented governance structures and weak public awareness reduce the effectiveness of zakat as a formal Islamic social finance instrument (Ahsan, 2016, p. 79).

In Turkey, zakat practices are shaped primarily by the Directorate of Religious Affairs (Diyanet), while participation banks maintain only limited advisory functions because of secular legal constraints (Kaya, 2020, pp. 142–143). Unlike Bangladesh's partially institutionalized banking model, Turkey relies largely on decentralized individual compliance. Comparative studies, therefore, demonstrate that legal structures and state religion relations significantly influence the institutional role of Islamic banks in zakat governance.

Research Gap and Conceptual Framework

Comparative scholarship shows that Muslim-majority countries adopt diverse institutional approaches toward zakat administration, ranging from centralized state-led systems to decentralized voluntary models (Ahmed, 2011, pp. 138–139). More recent literature also highlights the growing role of fintech and digital financial services in improving transparency and efficiency in zakat management (Dusuki, 2017, pp. 122–123). However, existing studies remain predominantly descriptive and focus either on theological dimensions or state-administered zakat systems.

Several important gaps therefore remain in the literature. First, the operational role of Islamic banks as institutional intermediaries of zakat has not been sufficiently explored. Second, limited comparative research examines how different regulatory and socio-political environments shape zakat practices within Islamic banking systems. Third, technical dimensions of zakat computation, including asset valuation, accounting cycles, reporting standards, and governance mechanisms, remain underdeveloped within comparative Islamic finance scholarship.

To address these gaps, this study develops a comparative analytical framework linking zakat governance with Islamic banking operations. The study specifically examines how institutional structures, regulatory environments, and Shariah governance influence zakat computation and integration within Islamic banking systems in Bangladesh and Turkey.

RESEARCH METHODOLOGY

This study employs a qualitative comparative case-study methodology to examine zakat computation practices within Islamic banking systems in Bangladesh and Turkey. A comparative qualitative approach is appropriate because the study seeks to analyze institutional, regulatory, and governance differences between two Muslim-majority countries that operate under distinct legal and financial frameworks. Bangladesh represents a partially institutionalized Islamic banking environment, whereas Turkey operates participation banking within a secular regulatory structure. Comparing these two cases allows the study to identify how legal systems, religious authority, and banking governance shape zakat integration and computation practices.

The research adopts a comparative institutional analysis focusing on Islamic banking practices in Bangladesh and Turkey. Comparative case-study methodology is widely used in Islamic finance research to evaluate differences in regulatory structures, institutional governance, and operational practices across countries (Ahmed, 2011, pp. 134–136). The study specifically examines the institutional frameworks governing zakat calculation, reporting, facilitation, and social finance integration within Islamic banking systems.
Two representative banking institutions were selected as primary case studies:

1. Islami Bank Bangladesh Limited (IBBL) – representing the Bangladeshi Islamic banking model.
2. Kuveyt Türk Katılım Bankası (KTKB) – representing the Turkish participation banking model.

These institutions were selected because they are among the leading Islamic banking institutions in their respective countries and reflect broader national approaches toward Islamic finance governance and zakat practices.

Data Sources

The study relies primarily on qualitative documentary and secondary data sources. Data were collected from:

1. Annual reports of Islami Bank Bangladesh Limited and Kuveyt Türk Katılım Bankası.
2. Bangladesh Bank reports.
3. Banking Regulation and Supervision Agency (BDDK) reports.
4. Diyanet publications and religious guidance documents.
5. AAOIFI standards and guidelines on zakat accounting.
6. Shariah governance reports.
7. Academic books, journal articles, and conference papers related to zakat and Islamic banking.

The use of multiple documentary sources enables comprehensive examination of institutional structures, operational mechanisms, and regulatory practices within both countries.

Analytical Technique

The collected data were analyzed through thematic comparative analysis. This method allows systematic identification of similarities, differences, and patterns between Bangladesh and Turkey regarding zakat institutionalization. The analysis focused on several thematic categories, including:

1. Institutional zakat frameworks.
2. Regulatory oversight.
3. Shariah governance structures.
4. Zakat computation methodologies.
5. Accounting and reporting practices.
6. Social finance integration.
7. Digital zakat facilitation mechanisms.

Thematic categorization strengthened the analytical structure of the study and reduced descriptive narration by organizing findings according to institutional and operational dimensions.

Comparative Justification

Bangladesh and Turkey were selected because they represent contrasting models of Islamic banking governance. Bangladesh operates a dual banking system with relatively strong Islamic banking penetration and partial institutionalization of zakat through Islamic banks. Turkey, by contrast, operates participation banking within a secular constitutional framework where religious guidance is centralized under Diyanet but institutional zakat integration remains limited. This contrast provides an effective basis for examining how political, legal, and institutional environments influence zakat practices within Islamic finance systems.

Validity and Reliability

To enhance validity and reliability, the study applies data triangulation by comparing information from institutional reports, regulatory publications, and peer-reviewed academic literature. Cross-country comparison also improves analytical rigor by reducing single-case bias and enabling broader interpretation of institutional patterns. Furthermore, the use of established Islamic finance literature and internationally recognized standards such as AAOIFI strengthens the conceptual reliability of the analysis.

Limitations of the Study

This study is limited to qualitative documentary analysis and does not include interviews or quantitative survey data from bank officials or depositors. The research focuses primarily on institutional and regulatory dimensions rather than measuring the financial performance or quantitative socio-economic impact of zakat practices. Future studies may expand the analysis through empirical surveys, interviews, and cross-country statistical comparisons involving additional Muslim-majority countries.

RESULTS AND DISCUSSION

Zakat Framework in Bangladesh

The findings reveal that zakat practices within Bangladeshi Islamic banking operate through a partially institutionalized yet predominantly voluntary framework. Islamic banks, particularly Islami Bank Bangladesh Limited (IBBL), facilitate zakat computation through Shariah supervisory boards, depositor advisory services, and charitable distribution mechanisms (Islami Bank Bangladesh Limited [IBBL], 2022, p. 47). However, the absence of centralized regulatory oversight has resulted in fragmented implementation and institutional inconsistency across the sector.

The analysis identifies three major institutional characteristics. First, Islamic banks function primarily as facilitators rather than formal zakat-collecting authorities. Second, Shariah supervisory boards play a dominant interpretive role in determining zakatable assets, nisab thresholds, and liability deductions (Rahman, 2010, pp. 208–209). Third, customer-level compliance remains highly dependent on voluntary participation and personal interpretation.

These findings suggest that despite rapid growth in Islamic banking, zakat integration in Bangladesh remains institutionally weak and insufficiently harmonized.

Table 1: Key features of zakat practices in Bangladeshi Islamic banking

Dimension	Findings
Institutional Role	Banks facilitate rather than enforce zakat
Governance	Shariah boards supervise zakat computation
Regulatory Structure	No centralized zakat regulation
Customer Services	Advisory support and online calculators
Compliance Nature	Voluntary and decentralized
Main Limitation	Lack of standardization

The findings further demonstrate that Islamic banks increasingly integrate zakat facilitation within broader Islamic social finance and corporate social responsibility (CSR) initiatives. Nevertheless, institutional variation across banks creates inconsistencies in reporting standards, transparency, and depositor confidence. These findings support Hassan and Lewis's (2007, pp. 94–96) argument that Islamic banks possess significant institutional potential for zakat integration but remain constrained by weak governance and fragmented regulatory structures.

Major Challenges in Zakat Computation

The analysis identifies four major challenges affecting zakat computation within Bangladeshi Islamic banking systems.

Lack of Standardized Computation

The most significant challenge is the absence of harmonized zakat accounting standards across Islamic banks. Different Shariah boards adopt varying interpretations regarding equities, sukuk, inventories, and liability deductions, leading to inconsistent zakat calculations (Kahf, 2002, pp. 13–14). This fragmentation weakens transparency and creates confusion among depositors regarding correct zakat obligations.

Complexity of Modern Islamic Financial Instruments

The findings further demonstrate that modern Islamic financial instruments complicate zakat computation processes. Sukuk, Mudarabah deposits, and Musharakah participations require complex valuation and classification procedures. Most Islamic banks lack specialized expertise to accurately determine zakatable components, resulting in simplified or inconsistent methodologies (Kamali, 2008, p. 225).

Accounting and Calendar Misalignment

Another major challenge involves inconsistencies between the lunar zakat cycle (hawl) and Gregorian financial reporting systems used by modern banks. This mismatch affects valuation timing for short-term investments, accrued profits, and trade inventories, potentially resulting in inaccurate zakat calculations (Kahf, 1997, pp. 30–31).

Weak Regulatory Oversight

The study also finds that the Bangladesh Bank does not provide explicit zakat accounting standards or mandatory compliance frameworks for Islamic banks. Consequently, zakat governance remains largely dependent on internal Shariah boards rather than centralized financial regulation (Sarker, 2015, p. 56). This weak oversight contributes to uneven institutional practices and limited accountability within the sector.

Table 2: Major challenges in zakat computation

Challenge	Impact on Islamic Banking
Lack of standardization	Inconsistent zakat calculation
Complexity of financial instruments	Technical valuation difficulties
Lunar vs. Gregorian cycles	Reporting inconsistencies
Weak regulation	Limited transparency and accountability

These findings demonstrate a broader tension between classical fiqh principles and contemporary Islamic financial systems. While Islamic banks attempt to operationalize zakat within modern banking structures, institutional fragmentation significantly reduces effectiveness and socio-economic impact.

Case Analysis: Islami Bank Bangladesh Limited (IBBL)

The case study of Islami Bank Bangladesh Limited (IBBL) demonstrates both the opportunities and limitations of institutional zakat integration within Islamic banking. As the largest Islamic bank in Bangladesh, IBBL has developed relatively advanced zakat facilitation mechanisms compared to other institutions (Bangladesh Bank, 2022, p. 19).

The findings reveal that IBBL performs a dual institutional role. First, the bank facilitates depositor zakat through advisory services, annual account statements, and digital tools. Second, it supports broader Islamic social finance initiatives through zakat and waqf-based welfare programs. IBBL's Shariah Supervisory Committee plays a central role in supervising zakat policies and ensuring compliance with Islamic jurisprudence (IBBL, 2022, pp. 46–48).

In addition, the Islami Bank Foundation channels zakat-related resources into healthcare, education, disaster relief, and poverty alleviation initiatives (Sarker, 2015, p. 55). This institutional model supports the argument that Islamic banks can function as intermediaries of Islamic social finance when supported by effective governance structures (Hassan & Lewis, 2007, pp. 94–96).

Table 3: Institutional role of IBBL in zakat management

Area	Institutional Practice
Shariah Governance	Internal zakat supervision
Customer Facilitation	Statements and online calculators
Social Welfare	Healthcare, education, and relief programs
Digital Innovation	Mobile banking zakat tools
Operational Limitation	Voluntary participation

Despite these institutional initiatives, the analysis identifies several operational weaknesses. First, zakat participation remains voluntary, limiting the scale of pooled institutional resources. Second, technical challenges relating to sukuk valuation and other Islamic financial instruments continue to reduce consistency in zakat computation (Kamali, 2008, p. 225). Third, the absence of mandatory national zakat standards weakens comparability and depositor confidence across the Islamic banking sector.

The findings, therefore, suggest that IBBL represents a hybrid institutional model where Islamic banking partially integrates zakat into financial operations but remains constrained by weak regulatory harmonization and decentralized governance structures.

Analytical Discussion

The findings demonstrate that zakat integration within Bangladeshi Islamic banking remains institutionally fragmented despite the rapid growth of Islamic finance. Bangladesh reflects a model of partial institutionalization in which Islamic banks facilitate zakat through Shariah governance frameworks, depositor services, and social welfare programs, yet operate without centralized regulatory enforcement.

The results support previous studies arguing that Islamic banks can serve as effective intermediaries of Islamic social finance when supported by stronger governance structures (Hassan & Lewis, 2007, pp. 94–96). However, this study extends earlier scholarship by demonstrating that operational challenges, particularly regulatory fragmentation, accounting inconsistencies, and technical asset valuation difficulties, continue to undermine effective zakat institutionalization.

The analysis further highlights the importance of harmonization through AAOIFI standards, digital financial integration, and stronger supervisory frameworks. Comparative evidence from countries such as Malaysia and Pakistan suggests that centralized zakat authorities achieve greater institutional consistency and socio-economic impact than decentralized systems (Hasan, 2010, pp. 34–35). Consequently, this study argues that stronger institutional coordination between Shariah governance, banking regulation, and digital financial infrastructure is necessary for transforming zakat into an effective instrument of Islamic social finance, poverty alleviation, and financial inclusion.

Zakat Framework in Turkey

The findings indicate that zakat integration within Turkish participation banking remains decentralized and weakly institutionalized. Participation banks in Turkey operate primarily on the principles of profit-and-loss sharing (PLS) and Shariah-compliant financing; however, they generally do not assume direct responsibility for institutional zakat computation or collection (Yildirim, 2018, p. 66). Instead, responsibility for zakat remains with individual depositors, while banks provide limited facilitative services such as informational guidance and online support tools.

The study identifies three major institutional characteristics within the Turkish model. First, participation banks maintain primarily advisory roles rather than acting as formal zakat intermediaries. Second, religious interpretation regarding zakat is centralized under the Directorate of Religious Affairs (Diyanet), which issues fatwas concerning nisab thresholds, zakatable assets, and zakat eligibility (Kaya, 2020, pp. 142–143). Third, there is no centralized institutional mechanism for zakat collection or redistribution within the banking sector. This structure differs significantly from historical Ottoman practices, where waqf institutions played an active role in mobilizing religious wealth for social welfare purposes (Cizakca, 2011, pp. 175–176).

Table 4: Institutional characteristics of zakat practices in Turkey

Dimension	Findings
Institutional Role	Advisory rather than operational
Religious Authority	Centralized under Diyanet
Zakat Collection	Individual responsibility
Regulatory Framework	Secular banking constraints
Customer Facilitation	Limited informational support
Institutional Limitation	Absence of centralized zakat mechanisms

The findings demonstrate that Turkey's participation banking model reflects a separation between religious guidance and financial operations. Although Diyanet provides jurisprudential legitimacy, participation banks remain institutionally constrained from integrating zakat into formal banking mechanisms due to secular legal and regulatory structures (Yildirim, 2018, p. 67).

Major Challenges in Zakat Integration

The analysis identifies four major challenges affecting zakat integration within Turkish participation banking.

Lack of Institutional Coordination

The most significant challenge is the fragmentation between religious authority and banking operations. While Diyanet provides authoritative guidance on zakat compliance, participation banks lack formal mandates for institutional computation, reporting, or collection (Yildirim, 2018, p. 67). This disconnect weakens institutional coordination and limits the role of participation banking in Islamic social finance.

Limited Public Awareness

The findings further indicate that depositor awareness regarding zakat computation remains limited. Participation banks generally provide only basic educational resources, such as informational bulletins, website guidance, and limited customer workshops (Kaya, 2020, p. 144). Consequently, zakat compliance largely depends on individual understanding and personal initiative, reducing institutional effectiveness.

Absence of Standardized Reporting

Unlike some Islamic banking systems, where annual zakat statements are provided to depositors, Turkish participation banks generally do not issue standardized reporting frameworks for zakat obligations. This lack of institutional reporting creates inconsistencies in personal compliance and reduces transparency within zakat practices.

Weak Social Finance Integration

Although participation banking in Turkey expanded significantly between 2010 and 2021, this growth has not been accompanied by equivalent development in zakat-based social finance mechanisms (BDDK, 2021, p. 6). Participation banks remain primarily commercially oriented, while institutional zakat integration and poverty alleviation initiatives remain limited (Cizakca, 2011, pp. 178–179).

Table 5: Major challenges in Turkish participation banking

Challenge	Institutional Impact
Religious–banking fragmentation	Weak institutional coordination
Limited depositor awareness	Inconsistent compliance
Lack of standardized reporting	Reduced transparency
Weak social finance integration	Limited developmental impact

These findings suggest that Turkey's decentralized zakat model limits the ability of participation banking institutions to function as effective intermediaries of Islamic social finance. While religious legitimacy exists through Diyanet, operational integration remains weak due to institutional and regulatory fragmentation.

Case Analysis: Kuveyt Türk Katılım Bankası

The case study of Kuveyt Türk Katılım Bankası demonstrates both the strengths and limitations of Turkey's participation banking model regarding zakat integration. Established in 1989, Kuveyt Türk is among Turkey's leading participation banks and operates through Shariah-compliant contracts such as Murabahah, Mudarabah, and Musharakah (Yildirim, 2018, p. 66). Nevertheless, the bank does not institutionalize zakat computation or collection, leaving responsibility primarily with individual depositors.

The findings reveal that Kuveyt Türk performs mainly an advisory role in zakat facilitation. The bank's Shariah Advisory Board supervises Islamic finance compliance and guides zakatable assets and financial products (Kaya, 2020, pp. 142–143). However, the bank does not operate formal mechanisms for institutional zakat collection, aggregation, or redistribution.

Table 6: Institutional role of Kuveyt Türk in zakat practices

Area	Institutional Practice
Shariah Governance	Advisory supervision
Customer Facilitation	Online calculators and guidance
Institutional Collection	Absent
Reporting Framework	Limited and voluntary
Social Finance Role	Minimal institutional integration

Operationally, Kuveyt Türk provides digital calculators, customer guidance services, and informational support to facilitate depositor compliance (Kaya, 2020, p. 144). However, these mechanisms remain educational rather than operational. Furthermore, the mismatch between the lunar zakat cycle and Gregorian financial reporting creates additional difficulties for depositors attempting to reconcile personal obligations with banking records (Yildirim, 2018, p. 67).

The findings demonstrate that zakat integration within Turkey's participation banking system remains decentralized and weakly institutionalized, with participation banks performing primarily advisory rather than operational roles in zakat computation and collection. Religious guidance is centralized under Diyanet, which provides fatwas and interpretive rulings regarding zakatable assets and nisab thresholds, while actual compliance remains dependent on individual depositors (Kaya, 2020, pp. 142–143). The case study of Kuveyt Türk Katılım Bankası further illustrates that although participation banks provide online calculators, informational guidance, and Shariah advisory support, they lack formal mechanisms for institutional zakat collection, reporting, or redistribution (Yildirim, 2018, pp. 66–67). The analysis identifies several key challenges, including weak institutional coordination between religious authorities and banking operations, limited public awareness, absence of standardized depositor reporting, and inadequate integration of zakat into broader Islamic social finance infrastructure (BDDK, 2021, p. 6).

Consequently, Turkey's participation banking model remains commercially oriented and limited in its socio-economic impact. Nevertheless, the findings also suggest significant opportunities for reform through digital zakat platforms, voluntary pooling mechanisms, and partnerships with waqf institutions and charitable organizations, which could strengthen institutional integration and enhance the role of participation banking in Islamic social finance while remaining compatible with Turkey's secular regulatory framework (Obaidullah, 2016, p. 92).

COMPARATIVE DISCUSSION

Zakat practices in Bangladesh and Turkey

The comparative analysis demonstrates significant differences between Bangladesh and Turkey regarding the institutionalization of zakat within Islamic banking systems. These differences are visible in regulatory frameworks, institutional structures, religious authority, social finance integration, and operational mechanisms. While Bangladesh exhibits partial institutionalization through Islamic banking institutions, Turkey maintains a decentralized model where zakat remains primarily an individual responsibility.

Table 7: Comparative framework of zakat practices in Bangladesh and Turkey

Aspect	Bangladesh	Turkey
Banking Structure	Dual banking system with strong Islamic banking presence (Bangladesh Bank, 2022, p. 19)	Participation banking under secular financial regulation (BDDK, 2021, p. 6)
Institutional Zakat	Partially institutionalized through Islamic banks such as IBBL (IBBL, 2022, pp. 46–48)	Largely absent at the institutional level (Yildirim, 2018, p. 66)
Regulatory Oversight	Limited but permissive regulatory environment (Sarker, 2015, p. 56)	Secular legal constraints limit institutional zakat integration (Kaya, 2020, pp. 142–143)
Religious Authority	Internal Shariah Supervisory Boards (Rahman, 2010, pp. 207–209)	Centralized authority under Diyanet (Cizakca, 2011, pp. 175–176)
Zakat Collection	Advisory and partially facilitated by banks	Individual depositor responsibility
Standardization	Weak and fragmented across institutions	Minimal institutional framework
Customer Services	Online calculators and advisory statements (Ali & Hassan, 2017, pp. 234–235)	Basic informational guidance and digital support
Social Finance Integration	Moderate integration through welfare foundations and CSR activities (Ahsan, 2016, p. 83)	Limited integration into poverty alleviation programs
Main Operational Challenge	Lack of harmonized standards and regulatory enforcement	Institutional fragmentation and secular constraints
Future Potential	Centralized zakat authority and AAOIFI harmonization	Voluntary institutional pooling and digital integration

The findings reveal that Bangladesh's Islamic banking sector has achieved a moderate level of zakat institutionalization through internal Shariah governance mechanisms and customer facilitation services. Islamic banks such as Islami Bank Bangladesh Limited calculate zakat on selected corporate assets and provide advisory support for depositor-level compliance (IBBL, 2022, pp. 46–48). However, the absence of centralized regulation and mandatory reporting standards creates significant inconsistencies in zakat computation and disclosure practices (Sarker, 2015, p. 56).

By contrast, Turkey's participation banking sector operates within a secular constitutional framework where zakat remains outside formal financial regulation. Participation banks such as Kuveyt Türk and Albaraka Türk provide limited guidance regarding zakat obligations but do not institutionalize collection or redistribution mechanisms (Yildirim, 2018, p. 66). Instead, religious guidance is centralized under Diyanet, which issues fatwas concerning zakat eligibility and nisab thresholds without directly participating in operational banking practices (Kaya, 2020, pp. 142–143).

The comparative findings further demonstrate that both countries face common challenges regarding standardization, accounting systems, and treatment of modern Islamic financial instruments. In Bangladesh, different Shariah boards apply varying interpretations concerning sukuk, equities, inventories, and liability deductions, leading to inconsistent zakat computation practices (Kahf, 2002, pp. 13–14). Turkey, meanwhile, lacks institutionalized zakat accounting frameworks altogether, resulting in fragmented and highly individualized compliance mechanisms.

Another significant finding concerns the relationship between zakat and Islamic social finance. Bangladesh demonstrates moderate integration through zakat-related welfare projects in healthcare, education, and poverty alleviation administered by Islamic banking foundations (Ahsan, 2016, p. 83). Turkey, however, remains largely dependent on state welfare structures and charitable organizations rather than participation banks for social redistribution initiatives (BDDK, 2021, p. 6). This indicates that institutional banking involvement substantially influences the developmental role of zakat within Islamic finance systems.

The findings also support previous scholarship arguing that Islamic banks possess strong potential to function as intermediaries of Islamic social finance when supported by effective governance structures (Hassan & Lewis, 2007, pp. 94–96). However, the study extends earlier research by demonstrating that regulatory harmonization, technical expertise, and institutional coordination are equally important for effective zakat integration.

Finally, the analysis highlights several opportunities for reform. Harmonization through AAOIFI standards could improve transparency and comparability in zakat accounting practices. Digital financial technologies may also help automate zakat calculation, reconcile lunar and Gregorian accounting cycles, and strengthen depositor compliance (Obaidullah, 2016, p. 92). Moreover, cross-border institutional learning between Bangladesh and Turkey could contribute to stronger Islamic social finance governance frameworks.

The comparative analysis demonstrates that Bangladesh follows a partially institutionalized model of zakat integration within Islamic banking, whereas Turkey relies primarily on decentralized individual compliance under participation banking. Bangladesh benefits from stronger banking-level integration but struggles with regulatory fragmentation and lack of standardization. Turkey benefits from centralized religious guidance through Diyanet but lacks operational banking mechanisms for zakat mobilization and redistribution. Consequently, the study suggests that harmonization through AAOIFI standards, digital integration, and stronger institutional coordination is essential for transforming zakat into a more effective instrument of Islamic social finance, poverty alleviation, and financial inclusion.

PROSPECTS FOR HARMONIZATION OF ZAKAT PRACTICES

The comparative analysis of Zakat practices in Bangladesh and Turkey reveals opportunities for harmonization that could enhance social finance, poverty alleviation, and financial inclusion. In Bangladesh, the establishment of a national Zakat authority linked with Islamic banks could provide centralized oversight, standardize calculation methodologies, and coordinate distribution for social welfare initiatives. Such an authority would build on the existing partial institutionalization observed in banks like Islami Bank Bangladesh Limited, providing consistency across the sector and ensuring that Zakat funds are mobilized efficiently for development purposes (Ahsan, 2016, p. 83).

Further, standardizing computation in accordance with AAOIFI Zakat standards would reduce variability in asset classification, nisab determination, and liability deductions, enhancing transparency and depositor confidence (Obaidullah, 2016, p. 92). Integrating Zakat processes with digital banking platforms can further expand outreach, allowing depositors to calculate, pay, and track Zakat contributions through mobile and online applications, thereby aligning religious obligations with contemporary financial practices.

In Turkey, participation banks could consider adopting voluntary institutional Zakat frameworks, thereby complementing the existing individual responsibility model. Such an initiative would allow banks to pool Zakat funds for social welfare projects, enhancing the sector's social impact without contravening secular banking regulations. The Diyanet could play a pivotal role in providing standardized guidance and supervisory oversight, collaborating with banks to ensure that voluntary institutional initiatives adhere to Shariah principles while remaining legally compliant (Kaya, 2020, pp. 142–143). Moreover, reviving the Ottoman-era synergy between Waqf and Zakat through modern financial technology could create new channels for institutionalized social finance, combining charitable endowments with Zakat funds to support education, healthcare, and poverty reduction programs (Cizakca, 2011, pp. 178–179).

For both countries, regional collaboration through organizations such as the Organization of Islamic Cooperation (OIC) or the Islamic Development Bank (IDB) could facilitate the development of harmonized Zakat accounting standards, providing a benchmark for institutional computation, reporting, and disclosure. Such collaboration could also promote knowledge-sharing, best practices, and cross-border coordination in mobilizing religious funds for socio-economic development (Hassan & Lewis, 2007, pp. 94–96). Additionally, positioning Zakat as a complement to the Sustainable Development Goals (SDGs) would emphasize its potential to contribute to poverty alleviation, inclusive education, healthcare access, and financial inclusion. By aligning Zakat mobilization with global development agendas, both Bangladesh and Turkey can enhance the social and economic relevance of Islamic finance while reinforcing the ethical and moral imperatives of wealth redistribution.

In conclusion, harmonizing Zakat practices requires a multi-level approach encompassing regulatory reform, technological integration, institutional innovation, and regional collaboration. For Bangladesh, centralization and standardization are critical; for Turkey, voluntary institutionalization and collaboration with religious authorities can expand social impact. For both nations, aligning Zakat with SDGs and international standards offers a pathway toward realizing the full socio-economic potential of this Islamic financial instrument. These harmonization strategies not only strengthen compliance and transparency but also demonstrate the capacity of Islamic finance to serve as a sustainable mechanism for social justice and development in the contemporary era.

CONCLUSION

This study comparatively examined the institutionalization of zakat within Islamic banking systems in Bangladesh and Turkey by analyzing regulatory frameworks, institutional structures, operational mechanisms, and socio-economic implications. The findings reveal that

Bangladesh has achieved partial institutionalization of zakat through Islamic banks such as Islami Bank Bangladesh Limited (IBBL), where Shariah Supervisory Boards facilitate zakat computation, depositor advisory services, and welfare-oriented distribution mechanisms (Ahsan, 2016, p. 83). However, the study also finds that fragmented governance, voluntary compliance, lack of standardized accounting frameworks, and limited regulatory oversight continue to weaken transparency, consistency, and institutional effectiveness (Obaidullah, 2016, p. 92).

In contrast, Turkey operates a decentralized zakat model in which religious guidance is centralized under the Directorate of Religious Affairs (Diyanet), while participation banks maintain only limited advisory roles without formal institutional integration of zakat collection or computation (Kaya, 2020, pp. 142–143). Consequently, zakat remains largely an individual responsibility, limiting its broader developmental and redistributive impact within the participation banking sector.

The comparative analysis demonstrates that although both countries differ institutionally, they face common challenges regarding harmonization, asset valuation, accounting systems, and governance coordination. These findings contribute theoretically to the literature by demonstrating that effective zakat institutionalization depends not only on religious legitimacy but also on institutional governance capacity, regulatory coordination, and technical standardization within Islamic banking systems. The study further develops a comparative analytical framework linking zakat governance with Islamic banking operations, thereby extending existing scholarship that has predominantly focused on theological or state-led zakat systems.

From a policy perspective, the study highlights the importance of harmonization through AAOIFI standards, digital financial integration, and stronger institutional coordination. In Bangladesh, establishing a centralized zakat authority linked with Islamic banks could improve oversight, standardize computation methods, and strengthen transparency. In Turkey, participation banks could adopt voluntary institutional zakat frameworks in collaboration with Diyanet while remaining compatible with secular banking regulations. The findings also suggest that integrating zakat with digital banking technologies and Islamic social finance instruments such as waqf could significantly improve efficiency, outreach, and socio-economic impact.

Finally, the study argues that zakat possesses significant potential to function not only as a personal religious obligation but also as a strategic instrument for poverty alleviation, financial inclusion, and sustainable socio-economic development. Regional collaboration through institutions such as the Organization of Islamic Cooperation (OIC) and the Islamic Development Bank (IDB) may further support the development of harmonized zakat governance frameworks and cross-border institutional cooperation. Therefore, strengthening institutional integration, standardization, and technological innovation is essential for transforming zakat into a more transparent, efficient, and impactful component of contemporary Islamic finance systems.

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DECLARATION

Credit Authorship Contribution Statement

MD Salah Uddin: Conceptualization, methodology, data collection, formal analysis, and writing—original draft and review.

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The authors declare that they have no known competing financial interest or personal relationships that could have influenced the research work.

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Not Applicable

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