

TRANSFORMING ZAKAT INTO A COMMUNITY-OWNED FUND: LESSONS FROM THE JEEBIKA PROJECT

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ABSTRACT

This paper presents the Jeebika model, an innovative Zakat management system designed for sustainable poverty alleviation through a community-centric approach. Moving beyond conventional one-off disbursements, the Jeebika model establishes a collective fund for eligible beneficiaries. This fund, held in a bank account with beneficiaries serving as signatories, nurtures a unique sense of ownership and accountability. The project's key feature is a three-year fund accumulation period, allowing members to access portions as an interest-free loan (qard hasan) to launch or expand business ventures. This mechanism effectively transforms static Zakat capital into dynamic, income-generating assets, enabling beneficiaries to transition from dependency to self-sufficiency.

A mixed-methods research design was used to assess the system's socio-economic impact, utilizing quantitative data from 177 survey respondents and qualitative insights from 30 focus group participants and 10 key informant interviews. Findings demonstrate significant improvements in beneficiaries' income levels (rising from 9,569 BDT to 17,010 BDT), food security, housing conditions, and access to healthcare and education. The project's emphasis on financial literacy, skills development (e.g., in sewing, cattle rearing, and electronics repair), and life skills education cultivated a savings mindset and enhanced entrepreneurial potential. By integrating interest-free financial aid with comprehensive training and health services, the Jeebika project effectively breaks the cycle of poverty and protects beneficiaries from the perils of debt traps.

The results indicate that the Jeebika approach is a powerful, replicable model for sustainable development. Its success is rooted in its community-driven governance, its focus on productive investments, and its holistic support system. This system not only fulfills the religious obligation of Zakat but also maximizes its socio-economic potential. We conclude with recommendations for scaling this framework, emphasizing the need for extended training, enhanced monitoring, and strategic partnerships to ensure its widespread adoption.

Keywords: Debt-free society; Financial literacy; Sustainable development; Zakat

INTRODUCTION

While Bangladesh has achieved significant strides in poverty reduction, these gains face increasing pressure from persistent macroeconomic risks, notably high inflation, the prevalence of the informal economy, and crucial gaps in social protection (World Bank Group, 2023). This vulnerability necessitates a shift from conventional relief measures to innovative, comprehensive models that connect immediate support with pathways to durable self-reliance. Simple charitable transfers are often insufficient to break the structural cycle of poverty.

The Jeebika I & II Project, operationalized by the Daffodil Group in Chandpur, presents a powerful alternative by redesigning the deployment of Zakat funds. Rather than utilizing Zakat for simple consumption transfers, Jeebika develop the capital to provide interest-free capital, combined with skills training, primary healthcare, and education support for highly vulnerable groups (widows, orphans, and low-income families).

The most distinctive feature of the Jeebika initiative is its governance structure: it organizes beneficiaries into a community-owned fund where participants possess shared signatory power and abide by a three-year capital accumulation and rotation period. This structure moves the intervention fundamentally beyond traditional charity and microfinance by raising ownership and accountability.

This innovative design is engineered to achieve three primary, sustainable development objectives: (i) Transform static Zakat capital into dynamic assets that generate sustained income, (ii) Promote social and economic development by enabling participants to invest, save, and access vital support services and (iii) Create a debt-free society by protecting vulnerable households from the debilitating effects of interest-bearing loans.

This paper evaluates the socio-economic impacts of the Jeebika model, quantifying its effectiveness and isolating the critical design elements necessary for its successful replication and scaling in other low-income contexts.

LITERATURE REVIEW

The Jeebika Project's model, which transforms charitable funds into a community-owned, productive capital mechanism, is strategically positioned within the current development discourse. This discourse, emphasized in literature published since 2020, stresses the need for sustainable, multi-dimensional poverty alleviation, moving away from temporary relief (World Bank Group, 2023).

1. The Imperative of Productive Social Finance

A core finding in contemporary development economics is the superiority of asset-based transfer programs and productive capital models over traditional, consumption-focused relief. This shift is critically important in the field of Islamic Social Finance. Current research strongly advocates for the utilization of Zakat as a tool for economic empowerment and capital formation, rather than just immediate consumption, to ensure recipients transition out of poverty permanently (Haque et al., 2021). The three-year fund accumulation and interest-free loan mechanism employed by Jeebika directly addresses the need to transform static charitable capital into dynamic, income-generating assets, a concept recognized for its long-term efficacy in building economic stability (Al-Harrasi & Al-Jabri, 2022). This approach is essential for preventing the capital flight and unsustainable consumption common in less structured aid models.

2. Holistic Support and Poverty Resilience

Poverty interventions are increasingly evaluated based on their ability to address simultaneous deprivations, a concept known as multi-dimensional poverty. The Jeebika strategy of "capital + capacity + care" is strongly supported by recent studies that underscore the fragility of financial gains when vulnerable households face non-financial shocks (Sen et al., 2023).

- **Capacity Building:** Providing financial capital without skills is often ineffective. Research published since 2020 consistently shows that pairing financial support with targeted skills training and financial literacy is crucial for ensuring that entrepreneurs can effectively manage risks, adapt to market demands, and utilize capital for high-return ventures (McKenzie & Schuler, 2020).
- **Shock Protection:** Furthermore, access to basic health and education services is fundamental to long-term stability. Recent analyses confirm that health shocks are a primary driver of household debt and poverty re-entry, while improved access to education is essential for interrupting the intergenerational transmission of poverty (WHO & World Bank, 2024). Interventions that integrate this "care" component are therefore necessary for protecting financial gains and establishing durable resilience.

3. Governance and Long-Term Sustainability

The community-owned fund structure and shared signatory power are critical elements addressing the long-standing challenge of project sustainability and accountability. Literature since 2020 emphasizes that decentralized and participatory governance models foster beneficiary ownership, increase transparency, and reduce dependency on external implementing agencies (Chambers & Chambers, 2022). When beneficiaries are active decision-makers and co-signatories, they possess a greater stake in the project's success, leading to stronger adherence to rules, better fund rotation, and improved social cohesion—factors vital for creating a self-sustaining development framework.

METHODOLOGY

Research Design and Sample

A mixed-methods, longitudinal design was used. Quantitative surveys covered 177 randomly selected beneficiaries (from about 1,500 to 2,500 families). The qualitative strand comprised 30 focus group discussion participants across beneficiary groups and one staff FGD, and 10 key informant interviews with community leaders and project stakeholders. Descriptive and inferential statistics (t-tests and chi-square) assessed outcomes; thematic analysis synthesized qualitative insights. Ethical safeguards included informed consent, confidentiality, and voluntary participation.

Key Variables and Data

Inputs (zakat funds, staff, materials), Activities (interest-free investments; savings/financial literacy; skills training; healthcare; education; awareness seminars), Outputs (beneficiaries served; trainings/health services delivered), Outcomes (income, savings, living conditions, health, schooling, life skills), Impacts (poverty alleviation, empowerment, debt-free society, social development, sustainable livelihoods).

FINDING & DISCUSSION

Entrepreneurship and Self-Reliance

Beneficiaries pursued small trade, livestock rearing, agriculture, poultry, sewing, vehicle services, and overseas work. Small trade and livestock were the most common; success linked to appropriate business choice, market demand, and effective use of capital. Savings were highest in higher-return activities (e.g., livestock, agriculture). Major growth barriers included lack of capital (30%), poor infrastructure (18%), competition (16%), limited market access (13%), and skills gaps (10%).

Implementation Quality and Sustainability

About 90% rated project implementation as effective or very effective; 92% were satisfied or very satisfied with staff guidance. Qualitative narratives emphasized dignity from interest free finance, stronger community cohesion, and confidence to reinvest earnings.

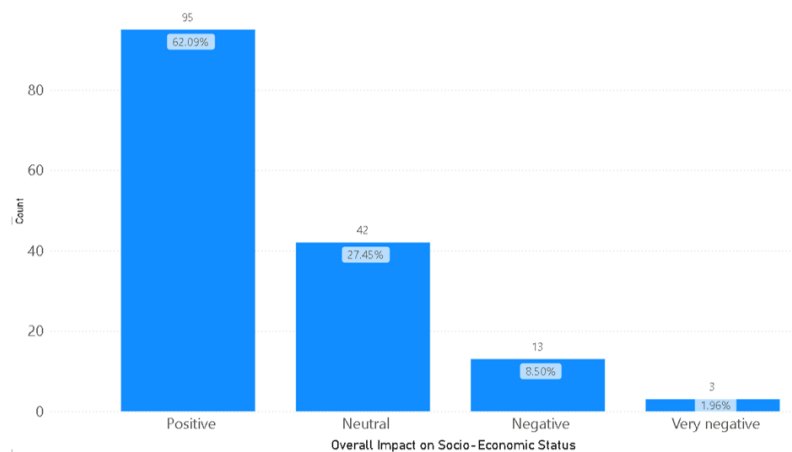


Figure 1: Impact on Socio-economic Status.

Figure 1 illustrates that 62.1% of beneficiaries report a positive shift in their socio-economic status, 27.5% report no change, and about 10.5% report adverse effects. This shows that the combination of interest-free capital and capacity support is effective for most participants while a small cohort requires tailored follow up. FGD participants stated that eliminating interest-bearing loans restored dignity and allowed earnings to be reinvested in their businesses rather than lost to repayments.

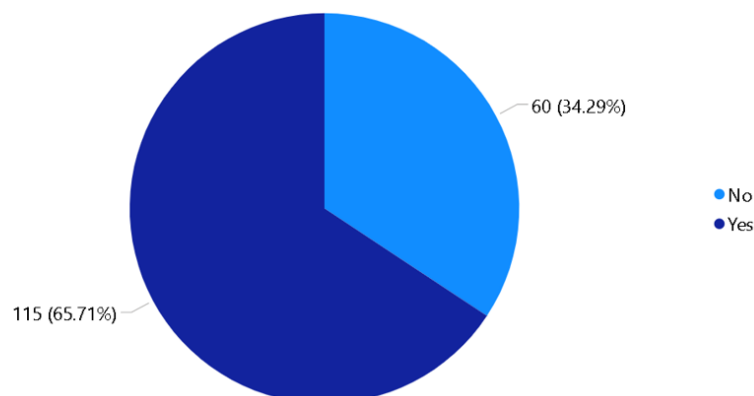


Figure 2: Access to Healthcare Services

Figure 2 shows that 65.7% of beneficiaries report improved access to healthcare after joining the project. This depicts how integrating basic health services with economic support helps reduce productivity shocks and supports sustained livelihood gains. FGD participants suggested setting up mobile healthcare units or satellite clinics in remote locations to reach those who struggle to access centralized facilities.

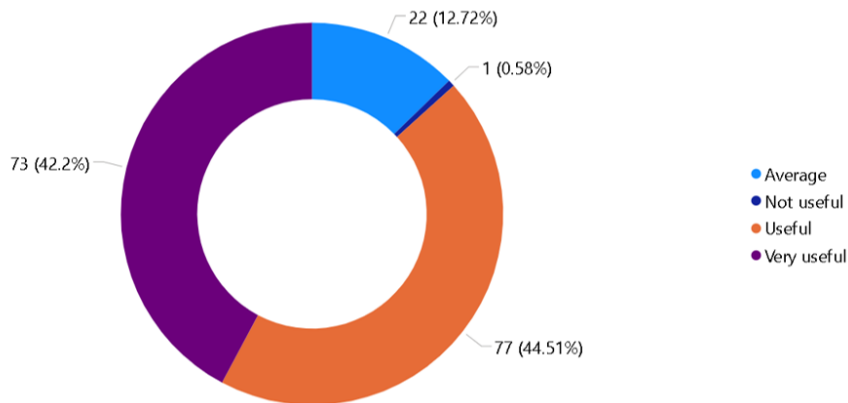


Figure 3: Usefulness of Training in Improving Skills and Income

Figure 3 illustrates that 86.7% rate the training as useful or very useful for improving skills and income. This shows a strong perceived relevance of the curriculum for employability and enterprise growth. FGD participants viewed the sessions as highly impactful and asked to expand the scope to sectors such as advanced agricultural techniques and digital literacy.

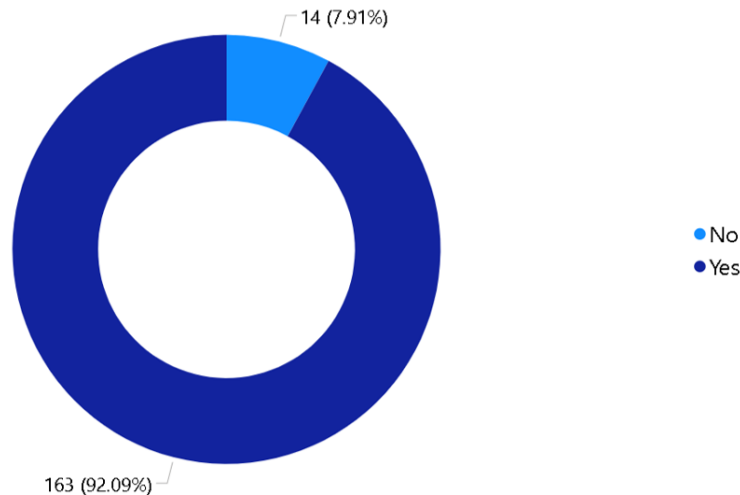


Figure 4: Effectiveness and Implementation of Training Programs.

Figure 4 shows that 92.1% have implemented the skills learned in business or daily life. This depicts high translation of training into practice and supports the project’s emphasis on financial literacy and skill building. FGD participants requested more consistent post training follow up and mentoring during implementation to support business management, market adaptation, and risk mitigation.

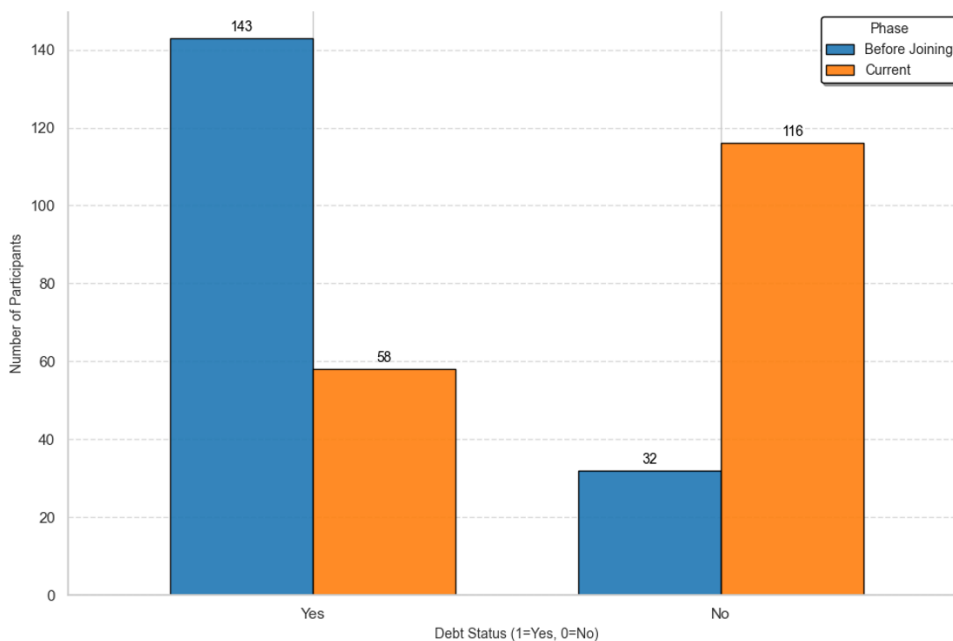


Figure 5: Status of Debt-free Community

Figure 5 shows a shift from 143 beneficiaries with debt to 58 and from 32 debt-free to 116 debt-free. This illustrates the deleveraging effect of interest-free finance and the pathway toward a debt-free society. Community statements described freedom from interest-bearing loans as promoting dignity, hope, and self reliance.

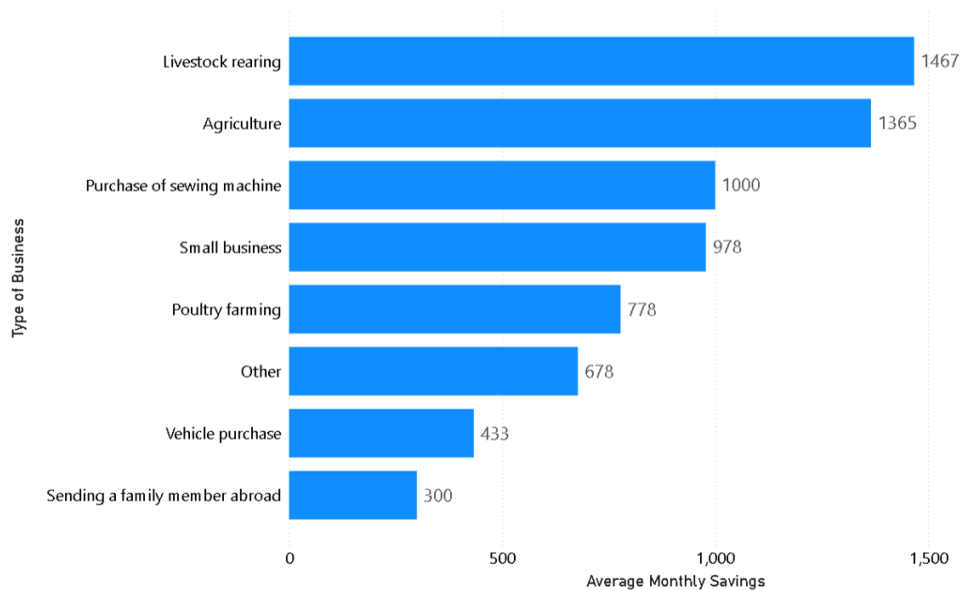


Figure 6: Saving Status of Beneficiaries

Figure 6 depicts higher average monthly savings among participants in livestock and agriculture compared to other activities. This shows that debt reduction and steady cash flows translate into a savings mindset and future reinvestment capacity. FGD participants said the project’s savings-focused sessions changed how they manage finances and helped them set aside earnings for contingencies and reinvest strategically

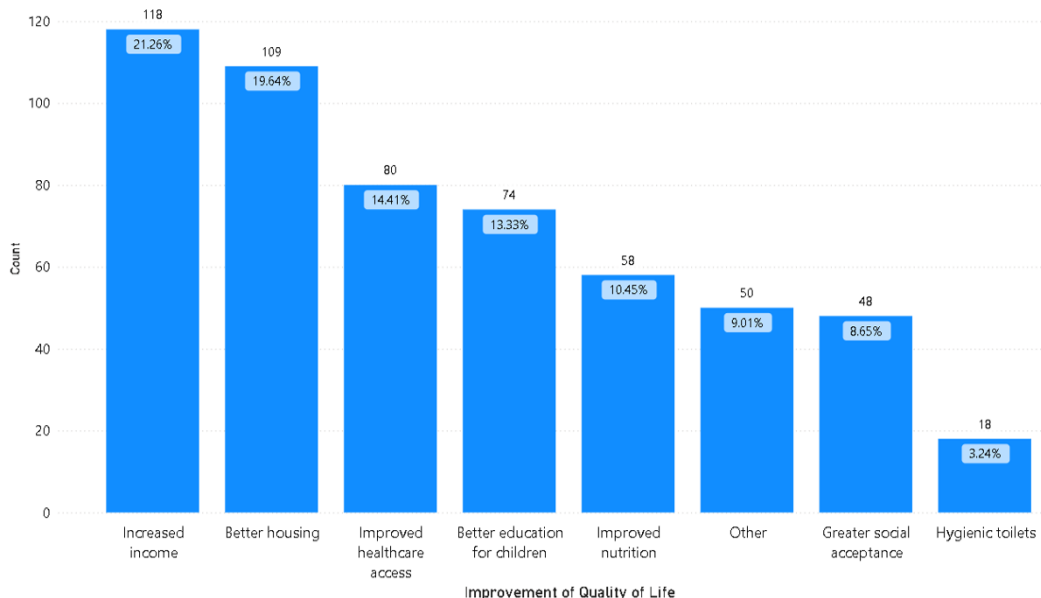


Figure 7: Status of Standard of Living of Beneficiaries.

Figure 7 illustrates improvements across income, housing, healthcare access, children’s education, nutrition, and social acceptance. This shows multidimensional welfare gains that align with the project’s objective of improving quality of life. FGD participants reported better diets and home repairs, and KIIs observed spillover effects on neighborhood cohesion and mutual support. FGD participants described a transformation in standard of living and a sense of hope, citing better income, housing, nutrition, healthcare access, and education for children.

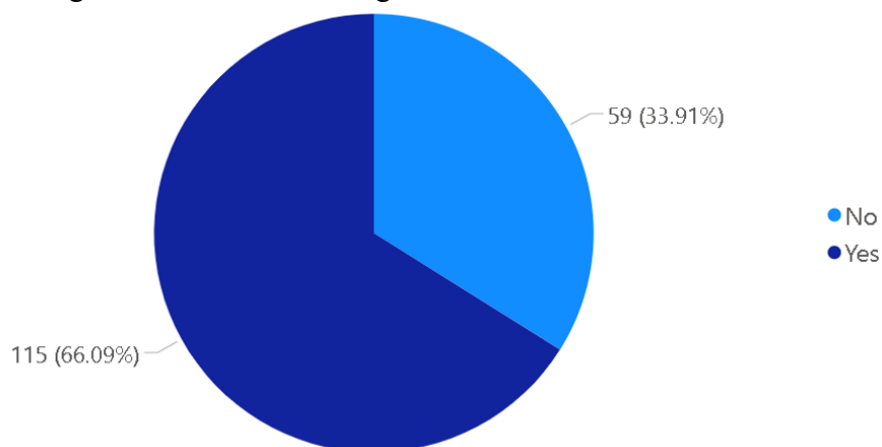


Figure 8: Impact of Project Participation on Beneficiaries' Children's Education.

Figure 8 shows that 66.1% of caregivers report improved education for their children. This depicts how household economic stability supports schooling decisions. FGD participants reported that higher household income enabled them to send children back to school and reduced dropout.

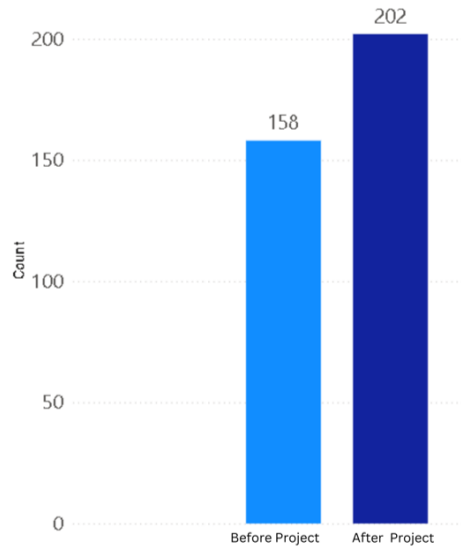


Figure 9: Number of Children Enrolled in School Before and After the Jeebika Project.

Figure 9 illustrates an increase in school enrollment from 158 to 202 children. This shows a concrete education outcome that complements the perceived improvements. FGD participants said increased family income allowed children who had been working to return to school, aligning with the rise in enrollments. Shown in Table 1 mean monthly income rises from 9,569.89 to 17,010.75 BDT ($p < .001$). Effect size: large, consistent with qualitative reports of reinvestment due to zero interest.

Table 1: Income Levels Before and After Participation in Project Jeebika

Income	Mean \pm std. dev	p-value
Before Jeebika Project	9569.89 \pm 5750.98	<0.01
After Jeebika Project	17010.75 \pm 8347.73	

Table 2 highlights strong association (p value <0.01) with marked shift toward debt-free status (from 32 to 116 persons). The Jeebika project effectively deleverages households.

Table 2: Debt status among the participants before and after participation in the Jeebika project

Debt Status	Yes (Post-Project)	No (Post-Project)	Total	p-value
Yes (Pre-Project)	58	143	201	<0.01
No (Pre-Project)	116	32	148	
Total	174	175	349	

DISCUSSION

The findings from the Jeebika Project robustly support the hypothesis that channeling Zakat into a community-owned, productive capital fund—augmented by comprehensive support services—is a significantly more effective and sustainable poverty intervention than traditional one-off disbursements.

A Shift from Consumption to Productive Investment

The quantitative data clearly illustrate a substantial economic uplift, with mean monthly income rising by nearly 78% (from 9,569.89 BDT to 17,010.75 BDT, $p < .001$), a finding consistent with studies on asset-transfer programs designed to boost sustainable livelihoods (e.g., Bandiera et al., 2017). This large effect size (Table 1) is directly attributable to the project's unique design, which transforms static, charitable capital into dynamic, income-generating assets. This approach aligns with literature advocating for zakat utilization in economic empowerment through capital formation rather than immediate consumption (Khan, 2015).

Deleveraging and the Restoration of Dignity

One of the project's most profound impacts is the dramatic reduction in household debt, as detailed in Figure 5 and Table 2. The significant shift towards debt-free status confirms that the interest-free capital component successfully deleverages households. This outcome is particularly vital in contexts like Bangladesh, where informal, high-interest debt can perpetuate the cycle of poverty (Rahman & Islam, 2019). Qualitative insights confirmed that freedom from interest-bearing loans restored dignity and self-reliance. By eliminating crippling interest payments, beneficiaries could reinvest their full earnings, sustaining a virtuous cycle of saving and growth (Figure 6), a powerful mechanism noted in evaluations of similar non-profit micro-finance models.

The Power of Holistic Support

The multidimensional welfare gains illustrated in Figure 7 underscore the effectiveness of the project's holistic model. The integration of financial literacy and skills training (Figure 3 and Figure 4) ensured that participants were equipped with the capacity to utilize the capital effectively. The high rate of skill implementation (92.1%) demonstrates strong practical relevance, supporting the view that skills training is a critical complement to financial aid in livelihood programs (McKenzie, 2017). Furthermore, the inclusion of basic healthcare access (65.7% reported improvement, Figure 2) and education support (Figures 8 and 9) addressed non-financial shocks. Studies show that integrating health and financial services is crucial for sustained livelihood gains, as health shocks are a leading cause of re-entry into poverty (World Bank, 2020).

Community Governance and Sustainability

The model's emphasis on community-driven governance, where beneficiaries are co-signatories of the fund, fosters a unique sense of ownership and accountability. This decentralized approach to fund management not only enhances implementation quality but also builds a resilient, replicable framework. This community-centric governance model aligns with development literature arguing that participatory decision-making leads to greater success and project sustainability compared to top-down approaches (Chambers, 1997). The qualitative narratives of stronger community cohesion and confidence to reinvest further support this finding.

Limitations and Future Scaling

While highly successful for the majority (62.1% reported positive change, Figure 1), the project noted that a small cohort (10.5%) experienced adverse effects, indicating a need for tailored follow-up and enhanced risk mitigation strategies. Growth barriers cited by beneficiaries (lack of capital, poor infrastructure, market access) suggest that scaling the Jeebika model will require strategic partnerships to address external constraints and the incorporation of advanced training, such as digital literacy, as requested by FGD participants.

CONCLUSION

The Jeebika model, which leverages a community-owned zakat fund paired with interest-free capital, capacity building, and basic services, is an exceptionally effective mechanism for poverty alleviation. The project's evaluation demonstrates statistically and socially significant improvements across multiple indicators of well-being. Specifically, the system generated a substantial income uplift, with the mean monthly income of beneficiaries rising from 9,569.89 BDT to 17,010.75 BDT ($p < .001$). This financial stability led to significant debt relief, evidenced by the shift from 143 beneficiaries with debt to only 58, and an increase in debt-free participants from 32 to 116. The integration of support services also yielded positive social gains (around 91% reported improved social acceptance), better healthcare access (65.7% improved), and improved educational outcomes for children (an increase from 158 to 202 enrolled and 66.1% of caregivers reporting improvements). These results underscore that productive zakat, when embedded in community-driven governance and complemented by comprehensive training and healthcare, can successfully transition vulnerable households from dependency to self-reliance. The Jeebika project is a powerful, replicable framework that not only fulfills the religious obligation of zakat but also maximizes its socio-economic potential creating a sustainable pathway toward long-term economic resilience. For widespread adoption, the model must prioritize extended training, enhanced monitoring, and strategic partnerships to ensure its continued effectiveness and broader reach.

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