

MANAGING ZAKAT FUND IN MALAYSIA

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Abstract

Zakat is the third of the five basic pillars of Islamic faith. Thus, zakat plays important role in the life of Muslims as alleviate poverty. Furthermore, zakat involves transfer money from the wealthy people to the poor. However, even though zakat collection has increased drastically yearly, the issues of leakage, distribution and surplus of zakat cause a lot of problems, argument and discussions. The main objective of zakat is to decrease gap among rich and poor people. If zakat fund managed effectively, the equitable distribution of zakat income in the society can achieved and gap among them can be narrowed. So, this paper attempts to discuss effective way of managing zakat fund and suggest to the best practice. This paper identified microfinance is one of the approaches that can be implemented by zakat institutions to improve asnaf income. Therefore, this paper ultimately intends to build several ways to collect and distribute zakat funds effectively. Lastly, some policies should stipulated by zakat institutions to attain goals of zakat.

Keywords: Zakat Collection; Zakat distribution; Zakat Fund Management; Microfinance

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Introduction

Zakat is one of the five basic pillars in Islam, which is made obligatory to all the Muslims. The term of Zakat is derived from the Arabic root word *zaka*, which means clean and pure (As-Syams 91:9). According to *syara'*, zakat means spending some specific property to be given or paid to the *asnaf* as they are deserve to receive the zakat funds, which they are in line with the conditions stipulated by *syara'* (Hamizul, 2012). There are eight groups of people who are entitled to receive zakat fund. These eight groups called as *asnaf* and mentioned by Allah in Holy Quran Surah al-Tawbah 60, which are *al-fuqara'* (needy/strained), *al-Masakin* (poor/deficient/lacking), *amil* (has right to collect zakat), *muallaf* (convert/reconciled to Islam), *al-Riqab* (slave), *al-Gharimin* (people in debt), *fisabilillah* (Allah's cause) and lastly *ibn sabil* (traveler/wayfarer). The key role of zakat is to encounter social problem in society and provide a social security system to Muslims by

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sharing the portion of wealth from person who affordable to needy people (Norazlina & Abdul Rahim, 2011; Patmawati, 2008; Hairunnizam, Sanep, & Radiah, 2009). The total of zakat collection has been improved drastically yearly right now. The significant of this improvement might be due to many factors such as easy payment methods, efficiency of zakat management, zakat institution privatization, escalation of zakat payers and their incomes and others (Hairunnizam et al., 2009). However, zakat collection has increased from year to year, the issues of leakage, distribution and surplus of zakat cause a lot of problems, argument and discussions.

Objective

- i. To provide a review of literature of the zakat
- ii. To suggest an effective way of managing zakat fund
- iii. Showcase to best practice of zakat management

Literature Review

Administration and management of zakat has been in existence at the period of Rasulullah s.a.w. Zakat in the period of Rasulullah s.a.w. divided into two phases namely Mecca and Medina stage. In Mecca stage, zakat focused on the welfare of poor and needy, and to increase brotherhood among Muslims who are new converts in Islam. During Medina stage, details of the new law of zakat are revealed. It covers who must give zakat, who is allowed on zakat, procedure to pay zakat and type of property that are obliged zakat (Hamizul, 2012). Rasulullah s.a.w. also put a strong foundation in the context of zakat administration and introduces the principle of separation of powers, the distribution of tasks, recording, and enforcement elements in the management of zakat.

In Malaysia, Department of Waqaf, Zakat and Haji (JAWHAR) was established in order to give more attention to zakat institutions. The establishment of JAWHAR was announced on March 27, 2004 by the fifth Prime Minister of Malaysia, Tun Abdullah Ahmad Badawi during the formation of Malaysian government's new cabinet. In terms of journey, administrative and legislation, JAWHAR not have any executive power over any zakat institutions in this country but JAWHAR just be the coordinator only (Jabatan of Waqaf, Zakat and Haji, 2014). However, zakat institutions in each state have different method in managing collection and distribution of zakat. The states that privatize their zakat collection are Federal Territory of Kuala Lumpur, Selangor, Pahang, Negeri Sembilan, Penang and Melaka (Azman, Mohammad & Syed Mohd Najib, 2012).

There are some studies shows that zakat institutions failed to liberate their responsibilities in terms of zakat distribution to the asnaf. Abdullah (1999) clarifies the question of the effectiveness zakat distribution and stated that there is different concept of zakat management within state which shows of different level in management efficiency. Zulkefly, Mohd Azlan Shah dan Hairunnizam (2002) also granted the important of the role of zakat institution compare to Perak, Negeri Sembilan and Kedah, Selangor is the most efficient in zakat distribution. According to Mohamed Dahan (1998) dan Abdullah (1999), zakat distribution process should be appraised by the individually. This is because there are some difficulties with the distribution process to the qualified and unqualified asnaf, some having shortage

zakat fund while some having surplus. The effectiveness of zakat collection and the issues of zakat distribution still occur and having problems when the distribution of zakat has been implemented crippled performance and looking at the achievement of zakat institution itself (Mohamed Dahan, 1998).

Issues In Zakat Fund Management

There are many issues occur in zakat institutions. Inefficiency in zakat funds management involves zakat distribution. This study discusses the aspect of justice, right, channels and methods of zakat distribution. The issue of zakat distribution had attracted the attention of the Muslim community. It requires proactive actions of the various parties in addressing this problem. There are lots of complaints received in each year against zakat institutions, particularly in relation to the method of zakat fund distribution (Mohd Harzrul, 2010). There are a number of researchers have discuss on the issue of inefficiency of management in the zakat fund distribution (Hairunnizam et al., 2009; Sanep & Hairunnizam, 2005; Sanep et al., 2006 & Patmawati, 2008). Although the collection of zakat is getting better year by year but the issue of zakat distribution still raises a lot of debate and concerns. It can be seen from a study conducted by Hairunnizam et al. (2009), which showed zakat payers are still not satisfied with the zakat distribution and privatization of zakat institutions failed to increase the level of trust zakat payers against zakat institution.

Research conducted by Sanep et al. (2006) shows that there were leakage problems where some individuals still refused to pay zakat through formal institutions or zakat institutions. Individuals who pay zakat, prefer to make direct payments to asnaf than paying through formal institution. Table 1 shows collection and distribution of zakat in Malaysia from 2010 to 2012. From 2010 to 2012, reports of zakat collection and distribution in Malaysia shows that the distribution of zakat is not good compared to the collection of zakat. In year 2010, total zakat collection was RM1,363.4 million and increased to RM1,634.5 million in year 2011. Then, in year 2012 the amount increased to RM1,922.8 million. However, the amount collected and distribution were unbalanced. This can be seen in year 2010, a total of RM1,179.8 million of zakat funds have been distributed and there is a surplus of RM183.6 million that are not distributed. The total of undistributed zakat funds has also increased significantly when there were surplus fund of RM261.9 million in 2011. Meanwhile, in 2012, a total of RM345.8 million of funds were undistributed.

Table 1: Collection and Distribution of Zakat in Malaysia 2010-2012

State	2010				2011				2012			
	Collect (RM Mil.)	Distrib. (RM Mil.)	Surplus (RM Mil.)	Surplus (%)	Collect (RM Mil.)	Distrib. (RM Mil.)	Surplus (RM Mil.)	Surplus (%)	Collect (RM Mil.)	Distrib. (RM Mil.)	Surplus (RM Mil.)	Surplus (%)
W.Persekutuan	282.6	200.5	82.1	29.1	347.5	246.7	100.8	29.0	410.4	271.9	138.5	33.7
Selangor	336.9	330.4	6.5	1.9	393.5	371.7	21.8	5.5	451.3	401.7	49.6	10.99
Johor	122.3	115.1	7.2	5.9	137.5	151.4	-13.9	-	171.9	143.3	28.6	16.6
Terengganu	76.4	61.7	14.7	19.2	88.3	65.0	23.3	26.4	107.1	84.5	22.6	21.1
Perak	69.6	66.8	2.8	4.0	86.1	67.6	18.5	21.5	99.6	82.7	16.9	16.97
P.Pinang	53.2	54.4	-1.2	-	59.6	54.2	5.4	9.1	76.5	68.7	7.8	10.2
Pahang	80.9	58.6	22.3	27.6	88.8	59.6	29.2	33.1	102.9	68.4	34.5	33.5
Kelantan	70.4	64.8	5.6	8.0	94.1	79.9	14.2	15.1	113.2	100.8	12.4	10.95
Kedah	76.9	66.0	10.9	14.2	106.1	79.8	26.3	24.8	106.5	92.4	14.1	13.2
N.Sembilan	50.2	51.7	-1.5	-	57.9	59.3	-1.4	-	65.4	61.5	3.9	5.96
Melaka	34.0	30.2	3.8	11.2	37.9	34.3	3.6	9.5	43.9	49.0	-5.1	-
Sarawak	39.1	23.9	15.2	38.9	44.1	27.3	16.8	38.1	46.3	36.5	9.8	21.2
Sabah	32.8	26.0	6.8	20.7	33.8	32.4	1.4	4.1	48.9	36.7	12.2	24.9
Perlis	38.1	29.7	8.4	22.0	59.3	43.4	15.9	26.8	28.9	N/A		
JUMLAH	1,363.8	1179.8	183.6		1634.5	1372.6	261.9		1922.8	1498.1	345.8	

Source: Zakat Report for 2010, 2011 and 2012

Furthermore, there are an issues regarding misuse of zakat funds and fraud by amil zakat who were appointed as zakat fund collector by the State Islamic Religious Councils (SIRCs). Public concern about the efficiency of zakat institutions continue to be an issues that cannot be resolved. For example, the leading Malay newspaper, Utusan Online (2001) reported that the zakat institution in Malaysia is still inefficient in handling zakat funds because there are a lot of poor and needy people in Malaysia. In addition, there are cases where amil in Johor who have breach the trust in zakat funds amount of RM19, 510 in 2011 (Utusan Online, 2011b). Therefore, research on the efficiency of the institution is important to assess the efficiency of zakat institutions in Malaysia. It can be concluded that this condition is being reported due to inefficient management in the zakat distribution.

Recommendations

In Malaysia, zakat institutions are trusted to receive, collect and distribute zakat funds using various methods and approaches to asnaf. This kind of provisions are intended to help the poor to survive by being able to meet their basic needs. In addition, there is several ways to manage the distribution of zakat funds to be more efficient and productive. The distribution of zakat fund need to be strengthens by zakat institutions to increase asnaf economy. Hence, microfinance is one of the approach that can be used by zakat institutions to improve asnaf income. This approach is more effective than subsistence aid (Zahri, 2010). The main purpose of microfinance is to alleviate poverty among poor households in Malaysia.

Microfinance aims to provide free financial assistance to help asnaf in developing micro-businesses in order to increase their income (Dichter, 2007). Micro finance provides in term of human capital or business capital. Human capital consists of skills and training while business capital such as cash or equipment. The amount of business capital is given based on

the types of asnaf business. Micro finance scheme is intended to change the status of the asnaf to become zakat payer. In order to strengthen the micro financing scheme, recipients are required to attend induction courses such as entrepreneurial skills courses before receiving the micro financing. Through this course, the recipients of zakat fund were exposed to a range of courses to enhance the knowledge of the business before they start their own business.

Other than that, the recipient must follow an advanced course after receiving zakat fund to attend the self-improvement courses where by the recipients will be motivated themselves to continue business challenges. Besides, revolving capital support can be provided to their business if their business thrives. Zakat institutions can also help them in terms of research and development on each product and will help renovating a weakness in the product. The amount of capital support depends on the types of recipients' businesses. The rate is between RM 5,000 to RM 10,000 at the beginning of the business. If the business is progressing, zakat institution can provide additional capital between RM5,000 to RM50,000. Recipients of micro financing are not required to pay back the capital and no service charge is provided.

Monitoring should be done to ensure the micro finance scheme is successful. Zakat institution should monitor recipients regularly to build a thriving business. Besides, zakat institution should also visit the recipient's business place to monitor the achievement of the business. In addition, the institution of zakat can provide consulting services for closely monitor from beginning of the business until their business is successful. The consultant service is given to recipients if they face any problems while running the business. The monitoring can be done every 6 months at the beginning of business in the last 2 years. After that, the monitoring can be done once in every year. Regular monitoring is a necessity that cannot be overlooked and underestimated to the success or failure of the business.

Other than that, medical costs are increasing. These will burden the asnaf. Thus, zakat funds are needed for helping to cover the cost of patients. Zakat institutions should be alert of this problem. Financial support can help the burdensome of the asnaf. For example, Jabatan Zakat Kedah has set up a hemodialysis center for asnaf in the country. Dialysis patients need about RM200 for each treatment and at least 3 times a week. In the year 2011, Jabatan Zakat Kedah gave free services to 17 dialysis asnaf patients to support the cost of treatment (Utusan Online, 2011a). This is unable to accommodate all patients who live in rural areas because the treatment center is located in Alor Setar only. Therefore, the zakat institutions need to collaborate with the private sector for sponsorship. Furthermore, the dialysis center should be located at many strategic locations to ease the asnaf on getting the treatment.

Conclusion

Zakat plays an important role in alleviating poverty and improving the economy of Muslims. As discussed earlier, this study is expected to provide a new contribution to the academic world. This is because just a few studies had been done in this area by researchers. Furthermore, this research is estimated to be as a guideline to zakat institutions to enhance their efficiency in context of management and at the same time can achieve the zakat objectives. When surplus is no longer happening in the society, generally the poverty rate will decrease and at the same time reflects to the declining crime rate in Malaysia.

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