

Zakat Institution in Malaysia: Problems and Issues

Azman Ab Rahman (Corresponding author)
Faculty of Syariah and Law, Universiti Sains Islam Malaysia,
Nilai, Negeri Sembilan, Malaysia
Tel: +606-7988501 E-mail: azman@usim.edu.my

Mohammad Haji Alias
Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia,
Nilai, Negeri Sembilan, Malaysia
Tel: +606-7986301 E-mail: hjmohd_99@yahoo.co.uk

Syed Mohd Najib Syed Omar
Faculty of Syariah and Law, Universiti Sains Islam Malaysia,
Nilai, Negeri Sembilan, Malaysia
Tel: +606-7988407 E-mail: syednajib@usim.edu.my

Abstract

Zakat administration in Malaysia is a State matter in particular relating to the passing of regulations and statutes. The respective Heads of States (the rulers) are heads of Islam as enshrined in the Federal Constitution. This paper gives a chronicle of the transformation and phases of development of zakat institution in Malaysia. Zakat institution can play an important role in complementing the Government's poverty eradication effort although its scope is for the poor and needy Muslims only. Besides the poor and needy, there are other beneficiaries allowed by the Syariah. Its success would also help to buffer the effects of recession of the economy on the poor through capacity building and mindset transformation. The effectiveness of the zakat institution in carrying out its duties would depend on a number of factors viz. expansion of new resources for zakat, the collection of zakat from tangible and intangible properties, systematic zakat management, efficient zakat distribution and the thoroughness of implementation of Islamic rules. The article would discuss on matters that should be dealt with in order to improve zakat institutions in Malaysia in terms of the inefficiency issue, prospective payers, and capacity building.

Keywords: Amils (zakat collectors); Asnafs (beneficiaries); Ummah (community); Zakat (tithes)

Introduction

Zakat institution is an integral part of the Islamic socio-economic system. In Malaysia zakat collection is institutionalized although it is a state matter. The respective state authority involved in zakat administration carries out the following responsibilities: promotion, collection and distribution of zakat; organized assistance to the poor and needy; including other asnaf in accordance to guidelines prescribed by the Syariah.

Zakat payment has been ordained by Allah (s.w.t.) through His Messenger Muhammad (pbuh) with a view to achieve social harmony among various sections of the Ummah (followers of the religion of Islam). In Islam, brotherhood among Muslims is highly enjoined (Al-Quran 49:10). It is a given fact that the population of a country is not homogenous in terms of their economic standing. There are the rich, the poor, the needy, the orphans, single parents, to name a few. Zakat has been made obligatory on Muslims when the conditions stipulated are

met to help the poor and the needy, a practical manifestation of a Muslim's belief in Allah (s.w.t.) and His Messenger. In fact Islam has been the first to lay down general principles for the economic welfare of the common people (Mohammad et al., 2011). Zakat institution may be given a safety-net interpretation. This interpretation is even more significant when an economy experiences a slowdown or recession as a result of financial or economic crisis. The poor and needy as well as the low income groups of the population are most affected by economic recessions (Ragayah & Faridah, 2009). The Malaysian economy has experienced major recessions in recent years. The first one was the 1997/1998 East Asian Financial crisis followed by the 1985-1986 recession. The next major one is the still unfolding global financial crisis which originated from the sub-prime financial crisis in the United States (US) in mid-2007. In the study by Ragayah and Faridah (2009), the incidence of absolute poverty (those households with monthly gross income food poverty line income) has been shown to be decreasing from 8.5% in 1999 to 3.6% in 2007 for the whole country. However, as a result of the global financial crisis which significantly affected Malaysia as a very open economy, the incidence of poverty increased from 3.6% in 2007 to 3.8% in 2008. The higher incidence in poverty was due to a jump in rural poverty (from 7.1% to 7.8%) while incidence of urban poverty remained the same. According to Ragayah and Faridah (2011) the current global crisis affected the rural poor more while the 1997/1998 crisis had the opposite effect. The reasons given are as follows. First, the rural incomes were affected in 1997/1998 by the decline in commodity prices such as rubber and palm oil. Second, the steep rise in the price of rice in 2008 also affected the rural population given the fact that Malaysia is not self-sufficient in rice production.

Zakat institution therefore can play an important role in complementing the Government's poverty eradication effort though its scope is for the poor Muslims only. Its success would also help to buffer the effects of recession of

the economy on the poor through capacity building and mind-set transformation. The effectiveness of the zakat institution in carrying out its duties would depend on a number of factors viz. the expansion of new resources for zakat, the collection of zakat from tangible and intangible properties, systematic zakat management, efficient zakat distribution and the thoroughness of implementation of Islamic rules (Al-Qardhawiyy, 2001). This paper is structured as follows. An overview of zakat is given after the introduction followed by a discussion on the evolution of the zakat institution in Malaysia. This is followed by a discussion on managing change. The final section gives the summary and conclusion.

Zakat : An Overview

Zakat is one of the five fundamental pillars of Islam. Allah (s.w.t.) has prescribed on the believers the payment of zakat as an obligatory form of worship (Ibadah). Zakat is categorized under obligatory charity. There is Zakat on the wealth (Zakat-ul-Maal) and there is Zakat on the individual (Zakat-ul-Fitr). The zakat system if managed efficiently will definitely have a positive impact on the socio-economic positions of the poor and needy among the Ummah. Zakat has a number of objectives. The first is the purification of one's wealth. Payment of zakat is a divinely ordained method to cleanse one's heart and soul from greed and obsession for material wealth. This enhances one's love for Allah (s.w.t.) making one an obedient servant to Him. Payment of zakat is an expression of caring for the welfare of the less fortunate members of society. It cannot however be regarded as an act of charity per se because a portion of one's wealth is the right of the poor and the needy (Mohamed, 1991). Offering alms to the poor and needy will contribute to the growth in the economy as resources are channelled to members of society whose marginal propensity to consume is much higher. This is consistent with the term zakat which also means growth. At the same time caring for the needs of the poor and needy will

lead to social harmony between the rich and the poor, an important contributor to economic growth and development. Other objectives of zakat are to discourage the concentration of wealth and to alleviate poverty.

The obligatory nature of Zakat has been ordained in the Al-Quran and Hadith of the Prophet (pbuh). Allah commanded in the Quran: "... so establish Salat and give Zakat, and hold fast to Allah ..." (Al-Quran 22:78). Zakat, as a specific amount, was ordained in Madinah during the month of Shawwal in the second year of Hijrah. To give emphasis on its importance, the order to give Zakat is associated with the order to perform prayers over eighty times in the Noble Al-Quran. Allah has ordained zakat as a duty similar to the duty of Salat (Al-Quran 2:43, 110, 177, 277; 4:162; 9:103; 24:56; 73:20; 98:5). To implement zakat, the Muslim community is obligated to establish the institution of Zakat in order to collect Zakat from rich Muslims in the society and distribute it to the asnaf/beneficiaries especially the poor and needy.

In Surah At-Taubah Allah (s.w.t.) said: "*Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those In bondage and In debt; In the cause of Allah. and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom.*" (Al-Quran 9:60)

In the same Surah Allah (s.w.t.) said: "*Of their goods, take alms, that so Thou mightest purify and sanctify them; and pray on their behalf. Verily Thy prayers are a source of security for them: and Allah is one who heareth and knoweth.*" (Al-Quran 9:103)

In a Hadith narrated by Abu Huraira (Sahih Bukhari, Vol. 2, Book 24, Number 486), Allah's Messenger said: "*Whoever is made wealthy by Allah and does not pay Zakat of his wealth, then on the Day of Resurrection his wealth will be made like a bald-headed poisonous male snake with two black spots over the eyes. The snake*

will encircle his neck and bite his cheeks and say, 'I am your wealth, I am your treasure.' Then the Prophet recited the holy verses: "*let not those who withhold...*" (Al-Quran 3:180)

Zakat Institution in Malaysia

An Overview on the History of Zakat in Malaysia

Islam arrived in the Malay Archipelago in the 13th century. Based on this fact, the history of zakat in this country also began from this date. The data on zakat collection and distribution during the early history is obviously hard to find and if only it could still be found but limited in nature particularly in the period before the coming of colonial power (Aidit, 1988:2-3). The payment of zakat during pre-colonial period was not administered via formal framework. It was traditionally performed by the delivery of goods to religious teachers who would later distribute them in accordance with the need of available asnaf (zakat beneficiaries).

It was difficult to ascertain whether or not the payment of zakat to religious teachers was the prevalent practice. But such was the practice observed for generations. There was a possibility that the practice was regarded as an 'honorarium' to religious teachers for guiding the community to Islamic teachings. On top of that, the community believed that the teachers were the most knowledgeable and qualified in determining the ratio of zakat distribution (Aidit, 1988:2-3).

Zakat during British Colonial Period

The segregation between religion, custom and temporal matters took place during this period. All Islamic and Malay customs related matters were administered by a special body known as Majlis Agama Islam Negeri (MAIN). Other than that, the rest came under the purview of British civil and criminal law system (Aidit, 1988:2-3). Matters associated with Zakat were administered by MAIN. Accordingly, in Zakat

Satu Tinjauan, Kelantan was the first state to establish the body which later became a model to other Malay States. Under this model, the Imam (spiritual leader) has been empowered to govern zakat related matters and a portion of zakat collection would be delivered to the state government as a financial resource for Islamic affairs. That was how the administration of zakat developed until today which remain under the supervision of State Islamic Councils (Aidit, 1988:2-3).

The Transformation of Zakat's Administration in Malaysia.

Administration of zakat comes directly under the state jurisdiction under the patronage of HRH Yang Di-Pertuan Agong, for Federal Territories and the Sultan or Raja for the respective states. Zakat administration is not within the duty of state government machinery as misconceptually understood. This responsibility is firmly held by MAIN except Kedah on behalf of the Majesty which has a special institution for Zakat namely Jabatan Zakat Kedah or Department of Zakat Kedah that is independent of MAIN.

The Administration of Zakat in Malaysia (before 1990's)

As mentioned earlier, MAIN acted on behalf of HRH. Therefore, all matters related to Islamic affairs including zakat must be referred to this body. MAIN is assisted by the Jabatan Agama Islam Negeri/State Department of Islamic Affairs (JAIN) in performing its daily activities. Before the 1990's, the amount of zakat collected was considerably low due to a number of factors (Ahmad & Shofian, 2010). One of them is the payment of fitrah (tithes) and zakat from paddy yield which were given utmost priority, while the development of zakat from private property, businesses and income were seriously overlooked. Meanwhile, the amil's or zakat collector's duty was regarded as seasonal. The collection of zakat was normally done during the fasting month of Ramadhan, and harvesting season. The management of zakat

followed established tradition in which zakat was paid individually to amils and after that the amils would distribute the proceeds collected to the rightful beneficiaries. Another hindrance is the heavy workload and not well designated tasks also contributed to the low collection of zakat. For example, an officer was assigned with all related matters to baitulmal, including zakat, estates, waqf (endowment) and so on.

The Administration of Zakat in Malaysia (after 1990's)

The establishment of a designated body with its term of reference to collect all-forms of zakat systematically and professionally has introduced a new dimension in the administration of zakat during the privatization era. This has been done by institutionalising a body that acts as a subsidiary under MAIN to perform the abovementioned duties. The collection of zakat was privatized. For example, Pusat Pungutan Zakat Wilayah Persekutuan (1991), Lembaga Zakat Selangor (1994), Pusat Urus Zakat Pulau Pinang (1994), Pusat Kutipan Zakat Pahang (1995), Pusat Zakat Negeri Sembilan (1998) and Pusat Zakat Melaka (2001).

The policy on the privatization of the zakat administration are as follows; to provide specified officers, offices or counters for collection of zakat separately from MAIN; to utilise the state-of-the-art in computer technology in all zakat related dealings; to set up a corporate working system which is not bound by bureaucracy. In this way it would encourage innovation, creativity, proactive and expedite the delivery system. In addition to that, to introduce its own service scheme to look after the welfare that would guarantee the future of their personnels; to recruit experienced personnels that have expertise in various fields including Islamic studies, finance, marketing, I.T., research, business administration, economics, mass communication and so on (Ahmad & Shofian, 2010).

There are four different forms of zakat

corporations in dealing with the collection and distribution of zakat in Malaysia. First, a corporation has been established under zakat enactment, for example Jabatan Zakat Negeri Kedah. This has been established under the Kedah Zakat Enactment 1955. The enactment was completely separated from the Kedah Administration of Islamic Law Enactment. Tabung Baitulmal Sarawak has been introduced by virtue of Sarawak Islamic Council (Corporation) (Amendment) 1984 Ordinan Majlis Islam Sarawak (Pemerbadanan) (Pindaan) 1984 with a task of managing the collection and distribution of zakat as well as baitulmal asset (Ahmad & Shofian, 2010).

Second, a corporation has been established under the state administration of Islamic law enactment, such as Lembaga Zakat Selangor that has been established under the virtue of Trustee (Corporation) Act 1952. Pusat Urus Zakat Pulau Pinang (PUZ) is a subsidiary to Majlis Agama Islam Pulau Pinang, that has been set up under Companies Act 1965.

The third is a corporation that has been established under an Act or State administration of Islamic law enactment with a duty to collect zakat only. All collections would be channelled to MAIN which distributes zakat collected to the rightful beneficiaries. Examples are PPZ-MAIWP (Harta Suci Sdn. Bhd.); PZM-MAIM (Pusat Zakat Melaka Sdn. Bhd.); PZNS-MAINS (Pusat Zakat Negeri Sembilan Sdn. Bhd.); PKZ-MAIP (Pusat Kutipan Zakat Pahang Sdn. Bhd.). Fourth, the collection and distribution of zakat is executed by MAIN through its own unit or department of Baitulmal or zakat centres such as Majlis Agama Islam Johor; Majlis Agama Islam Perlis; Majlis Agama Islam dan Adat Melayu Perak; Majlis Agama Islam dan Adat Istiadat Melayu Kelantan; Majlis Agama Islam dan Adat Istiadat Melayu Terengganu and Majlis Ugama Islam Sabah.

The administration of Zakat is very crucial in ensuring all-related matters to the collection and distribution of zakat could be carried out in the

best possible way. Zakat administration in the various states and federal territories have gone through phases of development and restructuring with a view to strengthen the institution of zakat machinery in delivering efficient service to the community as a whole. The matter has been highlighted by al-Qardhawiyy (2001) who listed five requirements for the success of zakat institution viz. the expansion of new resources for zakat, the collection of zakat from tangible and intangible properties, systematic zakat management, efficient zakat distribution and the thoroughness in the implementation of Islamic rules.

Problems and Issue

Although the administration of zakat has undergone many improvements in terms of infrastructure, human capital, delivery system and governance transparency, there are still issues that need to be tackled to ensure that the administration of zakat is moving on the right track, henceforth to eradicate poverty and to upgrade people's standard of living nationally and internationally. No matter how good the system is developed, if it could not cater to the needs of the community especially the poor and needy, such institution is considered as inefficient. In order to empower zakat institutions in Malaysia a number of issues need to be addressed (Mohammad et al., 2011).

Inefficiency

There is a need to enhance/strengthen the zakat management system to address the inefficiency issue especially in distribution aspect. Generally, zakat is normally given based on the applications and sometimes based on public report or initiatives carried out by zakat institution itself. Certain criteria are set by the authority so that zakat is channelled to the rightful asnaf/beneficiaries. However, there are complaints made by the public that zakat did not reach the targeted group due to lack of publicity by the authority or lack of knowledge on the other part of the community. Differences

in opinions might also lead to the same problem, whether in ideology or different school of law. For example, Syafie school of thought stated that zakat may not be paid in price while Hanafi school allowed it. Those who are in favour of the first view would pay zakat in its real form like zakat for paddy is paid in paddy. Therefore, they pay zakat not to zakat institution as this institution seldom receives zakat in real form. In some cases zakat has been handed over to the rightful persons but at the same time there are people who need more zakat compared to the former. Therefore, the objective is not fully fulfilled. Apart from that, bureaucracy plays another role where it would disrupt the process of distributing zakat. According to a research on Malaysian students who are studying in al-Azhar University, there are bureaucracy problem that would slow down the application for zakat. For example, the student is required to make an application every year to MAIN in order to receive zakat although their application has already been approved when they were in the first year. For that purpose, all documents must be presented as if it is a fresh application. In certain states, the student are obligated to acquire study loan before they are eligible to receive zakat (Azman et al., 2012).

All kinds of requirements and 'bad' experience with the authority could discourage people from making an application for zakat. In some cases, in which conditions and requirements may have been, it would take some time for approval. The principle that should be practised is that zakat collected should be disbursed as soon as possible. This was the practice of the Prophet (pbuh). An up-to-date register of the asnafs or the rightful recipients must be developed and the delivery system put in place and monitored.

Prospective Payers

The transformation in the administration of zakat could be done by improving the ability of zakat collection centres to identify not only those who should pay zakat, but also to trace down the prospective zakat payers. According

to a report made by PPZ/MAIWP in 2010 shows that although the number of Muslims who live in Selangor is approximately 2 million, the number of zakat payers is only around 160,000. For this purpose, the authority needs to change the method of collecting zakat from waiting at the counters to proactively organising briefing sessions on the importance of zakat to students, to public and private sector workers, and to police and soldiers in training. This initiative may raise awareness among prospective payers to fulfil their religious obligations in the future.

Capacity Building

Although eradicating poverty is an inspiration of all people, it is not an easy task. Helping the poor people by directly giving them a sum of money to buy their necessities, is indeed only a short term solution. The authority would have to regularly give them financial assistance in the form of zakat. It would create a dependency on zakat receipts which would not help them in enhancing their standard of living. If the authority could change the way financial assistance is given including in the form of financing their children's education or sending them to training centres to gain certain skills; this would improve the future employability of the family members. The poor person who has acquired the necessary skills from training given should be given adequate capital from the zakat fund for him/her to start a business venture. This capacity building approach is an effective way to change the condition of the poor from being a zakat recipient to one who pays out zakat.

Conclusion

Zakat administration in Malaysia is a State matter in particular relating to the passing of regulations and statutes. As mentioned earlier, the respective Heads of States (the rulers) are heads of Islam as enshrined in the Federal Constitution. Whatever recommendations with respect to managing and instituting changes in zakat administration in this country must take

cognizance of this legal parameter. In this paper we have chronicled the transformation and phases of development of zakat institution in Malaysia. We believe that zakat institution can play an important role in complementing the Government's poverty eradication with regard to the poor and needy Muslims. Besides the poor and needy there are other beneficiaries allowed by the Syariah. The success of zakat institutions would also help to buffer the effects of recession of the economy on the poor through capacity building. Administering zakat is a very crucial duty. It not only deals with collecting and distributing money, but also related to the spirit to uphold Islam as a religion for all humanity. Therefore, such spirit must be the foundation of operating the zakat institutions because it would enhance their well-being and quality of life, provides employees a sense of purpose, meaning at work, a sense of interconnectedness and community (Siti Akmar et al., 2011). As a result, it would increase the individual and organizational productivity and performance.

References

Al-Quran

Ahmad S.M., & Shofian A. (2010). Transformasi Pengurusan Zakat di Malaysia, paper was presented in International Islamic Development Management Conference (IDMAC), on 21-22 December 2010 USM, Pulau Pinang, Malaysia.

Aidit Ghazali. (1988). Zakat Satu Tinjauan. IBS Buku Sdn Bhd, Cet 1, Selangor, Malaysia.

Aidit Ghazali. (1991). Zakat Administration in Malaysia. Chapter in Mohamed Ariff (Editor). Islam and the Economic Development of Southeast Asia: The Islamic Voluntary Sector in Southeast Asia, Institute of South East Asian Studies, Singapore.

Al-Qardhawiyy, Y. (2001). Dawr al-Zakah fi 'ilaj al-Muskilah al-Iqtisodiyah Wa Syurut Najahiha, Dar al-Syuruq, Kaherah, Egypt.

Azman, A.R., Syed, M.N., Ahmed, W. M., Wan Mohd, F.A. (2012). Persepsi dan Pengetahuan Mahasiswa Tentang Proses Permohonan Zakat: Kajian ke atas Mahasiswa Universiti al-Azhar, Kaherah, Mesir. Nilai, USIM, N.Sembilan, Malaysia.

Mohamed Ariff. (1991). Introduction. Chapter in Mohamed Ariff (Editor). Islam and the Economic Development of Southeast Asia: The Islamic Voluntary Sector in Southeast Asia, Singapore. Institute of South East Asian Studies, Pp. 1-5.

Mohammad Alias, Ismail Mat, Zurina Kefeli @ Zulkefli and Asharaf Mohd Ramli. (2011). Zakat Management in Malaysia. In LIFE 3 Proceeding 3rd INSANIAH-IRTI Langkawi Islamic Finance and Economics International Conference, 29-31 October. Pp. 89-213.

Ragayah, M.Z., & Faridah Shahadan. (2009). Impact of Global Financial Crisis on the Malaysian Auto-Parts Industry, background paper for Conference on The Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific, 28-30 September, Hanoi.

Siti Akmar, A.S., K. Jusoff, Roslan, M.N., & Ishak, S. (2011). Prophetic Best Practices In Business for Human Capital Development. Global Journal al-Thaqafah. 1 (1): 7-14, Perak: KISDAR. doi: 10.7187/GJAT012011.01.01

