

**PERCEPTION ON POTENTIAL OF ZAKAT FUND  
IN MUSLIM SOCIETY IN BANGKOK,  
THAILAND**

**by**

**EKARAT SITISAN**

**Thesis submitted in fulfillment of the requirements  
for the degree of  
Master of Social Science**

**October 2010**

**PERCEPTION ON POTENTIAL OF ZAKAT FUND  
IN MUSLIM SOCIETY IN BANGKOK,  
THAILAND**

**EKARAT SITISAN**

**UNIVERSITI SAINSMALAYSIA**

**2010**

**PERSEPSI TENTANG POTENSI KUMPULAN  
WANG ZAKAT DALAM MASYARAKAT ISLAM  
DI BANGKOK, THAILAND**

**oleh**

**EKARAT SITISAN**

**Tesis yang diserahkan untuk  
memenuhi keperluan bagi  
Ijazah Sarjana Sains Sosial**

**October 2010**



## **ACKNOWLEDGEMENT**

I would like to express my gratitude to all those who gave me the possibility to complete this thesis. I am deeply indebted to my supervisor, Professor Muhammad Syukri Salleh whose help, stimulating suggestions and encouragement helped me in all the time of research for and writing of this thesis. I have furthermore to thank my co-supervisor, Dr. Zahri Hamat who made helpful comments on my thesis and gave all facilities which are necessary for this thesis. I want to thank to my mother, Haj.Hazanah Chomphao and my father Haj.Mumin Sitisan who always encourage me in my study. My sister, Fadilah Sitisan who helped me to collect the data for this thesis. Last but not least, I would like to give my special thanks to my wife, Metinee Adam whose patient love enabled me to complete this work.

## Table of Contents

|                        |      |
|------------------------|------|
| Acknowledgement.....   | ii   |
| Table of Contents..... | iii  |
| List of Tables.....    | vi   |
| List of Figures.....   | viii |
| Abstrak.....           | ix   |
| Abstract.....          | xi   |

### CHAPTER 1 INTRODUCTION

|                                             |    |
|---------------------------------------------|----|
| 1.1. Introduction.....                      | 1  |
| 1.2. Background.....                        | 3  |
| 1.3. Statement of the Problem.....          | 7  |
| 1.4. Objective .....                        | 11 |
| 1.5. Research Question.....                 | 11 |
| 1.6. Scope and Limitation of the Study..... | 12 |
| 1.6.1 Scope of the Study.....               | 13 |
| 1.6.2 Limitation of the Study.....          | 13 |
| 1.7. Significance of the Study.....         | 14 |
| 1.8. Operational Definition.....            | 15 |
| 1.9. Organisation of the Thesis.....        | 17 |

### CHAPTER 2 LITERATURE REVIEW

|                                                               |    |
|---------------------------------------------------------------|----|
| 2.1 Concept of Zakat.....                                     | 19 |
| 2.2 Economics and Social Impact of Zakat.....                 | 24 |
| 2.3 Zakat Management.....                                     | 26 |
| 2.3.1 The Practice of Zakat in the Early Time of Islam.....   | 27 |
| 2.3.2 The Practice of Zakat in the Time of Four Caliphs.....  | 31 |
| 2.3.3 The Current Practice of Zakat in Various Countries..... | 35 |
| 2.3.4 The Current Practice of Zakat in Thailand.....          | 42 |
| 2.4 Research Theoretical Framework.....                       | 47 |

### **CHAPTER 3 RESEARCH METHODOLOGY**

|       |                                                  |    |
|-------|--------------------------------------------------|----|
| 3.1   | Method for Answering the Research Questions..... | 50 |
| 3.2   | Data Collection.....                             | 50 |
| 3.1.1 | Library Research.....                            | 50 |
| 3.1.2 | Field Research.....                              | 51 |
| 3.2   | Data Analysis.....                               | 54 |
| 3.3   | Pilot Study.....                                 | 55 |

### **CHAPTER 4 ANALYSIS**

|        |                                                                                           |    |
|--------|-------------------------------------------------------------------------------------------|----|
| 4.1    | Introduction.....                                                                         | 57 |
| 4.2    | SECTION A: Demographic Information.....                                                   | 57 |
| 4.3    | SECTION B: The Potential of Zakat Payers in Bangkok.....                                  | 62 |
| 4.4    | SECTION C: The Perception of Potential of Zakat Funds in Bangkok.....                     | 70 |
| 4.5    | SECTION D: Suggestions and Expectations for Improvement<br>on Zakat Funds in Bangkok..... | 83 |
| 4.6    | SECTION E: Zakat funds in Bangkok.....                                                    | 88 |
| 4.6.1. | Zakat collection by zakat funds.....                                                      | 89 |
| 4.6.2. | Zakat distribution by zakat funds.....                                                    | 91 |
| 4.6.3. | Strengths and weaknesses of zakat funds.....                                              | 92 |
| 4.6.4. | The opinion of zakat funds' directors on<br>the potential of zakat funds in Bangkok.....  | 92 |
| 4.7    | SECTION F: Conclusion.....                                                                | 93 |

### **CHAPTER 5 CONCLUSION AND SUGGESTION**

|       |                                                                       |     |
|-------|-----------------------------------------------------------------------|-----|
| 5.1   | Summary of the Data Analysed.....                                     | 95  |
| 5.1.1 | The State of Zakat Management in Bangkok.....                         | 95  |
| 5.1.2 | The Perception of Potentials of Zakat Fund in Bangkok.....            | 100 |
| 5.1.3 | Suggestions for the Betterment<br>of Zakat Management in Bangkok..... | 105 |
| 5.2   | Policy Implication.....                                               | 106 |
| 5.3   | Suggestion for further research.....                                  | 107 |
| 5.4   | Conclusion.....                                                       | 108 |

## **BIBLIOGRAPHY**

## **APPENDICES**

**Appendix A- Example of Paper-Based Questionnaire**

**Appendix B- Interview Script and Sample Interview Transcripts**



## LIST OF TABLES

|            |                                                                                                                       | <b>Page</b> |
|------------|-----------------------------------------------------------------------------------------------------------------------|-------------|
| Table 1.1  | Objectives and Research Questions                                                                                     | 12          |
| Table 3.1  | Sample Size of Respondents                                                                                            | 53          |
| Table 4.1  | Distribution of Genders of the Respondents                                                                            | 58          |
| Table 4.2  | Distribution of Ages of the Respondents                                                                               | 59          |
| Table 4.3  | Distribution of Careers of the respondents                                                                            | 60          |
| Table 4.4  | Distribution of Annual Income of Respondents                                                                          | 61          |
| Table 4.5  | Being <i>Zakat</i> Payers of <i>Zakat</i> on Wealth                                                                   | 62          |
| Table 4.6  | Genders of <i>Zakat</i> Payers and Non <i>Zakat</i> Payers                                                            | 63          |
| Table 4.7  | Ages of <i>Zakat</i> Payers and Non <i>Zakat</i> Payers                                                               | 64          |
| Table 4.8  | Careers of <i>Zakat</i> Payers and Non <i>Zakat</i> Payers                                                            | 65          |
| Table 4.9  | Annual Household Incomes of <i>Zakat</i> Payers and Non <i>Zakat</i> Payers                                           | 66          |
| Table 4.10 | Modes of <i>Zakat</i> Payment                                                                                         | 67          |
| Table 4.11 | Methods of Choosing <i>Zakat</i> Recipients                                                                           | 69          |
| Table 4.12 | Relation between Annual Household Income of <i>Zakat</i> Payers and Modes of <i>Zakat</i> Payment of Them             | 70          |
| Table 4.13 | Relationship between Annual Household Incomes of <i>Zakat</i> Payers and Names of <i>Zakat</i> Funds They Pay Through | 72          |
| Table 4.14 | Calculation of <i>Zakat</i> by <i>Zakat</i> Funds                                                                     | 73          |
| Table 4.15 | Modes of Collecting <i>Zakat</i> by <i>Zakat</i> Funds                                                                | 73          |

|            |                                                                                                                                                                               |     |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Table 4.16 | Comparison of Modes of <i>Zakat</i> Payment of the Respondents and Their Perception on Ability of <i>Zakat</i> Funds                                                          | 74  |
| Table 4.17 | Perceptions of <i>Zakat</i> Payers Who Pay <i>Zakat</i> through <i>Zakat</i> Funds on Ability of <i>Zakat</i> Funds                                                           | 76  |
| Table 4.18 | Satisfaction of <i>Zakat</i> Payers with <i>Zakat</i> funds' services                                                                                                         | 77  |
| Table 4.19 | Reasons for Not Paying <i>Zakat</i> through <i>Zakat</i> Funds                                                                                                                | 78  |
| Table 4.20 | Weaknesses of <i>Zakat</i> Funds in the Opinions of <i>Zakat</i> Payers Who Pay <i>Zakat</i> through <i>Zakat</i> Funds                                                       | 80  |
| Table 4.21 | Reasons for Paying <i>Zakat</i> through <i>Zakat</i> Funds                                                                                                                    | 81  |
| Table 4.22 | Strengths of <i>Zakat</i> Funds in the Opinions of Respondents Who Pay <i>Zakat</i> through <i>Zakat</i> Funds                                                                | 82  |
| Table 4.23 | Expectation for Muslims Paying <i>Zakat</i> through Efficient <i>Zakat</i> Funds in the Future                                                                                | 83  |
| Table 4.24 | Important Kinds of <i>Zakat</i> Funds in the Opinions of the Respondents                                                                                                      | 84  |
| Table 4.25 | Respondents' Expectation for Thai Government to Issue <i>Zakat</i> Act According to Age Group                                                                                 | 86  |
| Table 4.26 | Effect of <i>Zakat</i> Act on <i>Zakat</i> Payment through <i>Zakat</i> Funds If It Could Deduct a Tax Amount for a Person who Paying <i>Zakat</i> through <i>Zakat</i> Funds | 87  |
| Table 5.1  | <i>Zakat</i> Collection and Distribution of Islamic Bank of Thailand since the Year 2005-2008                                                                                 | 101 |

## LIST OF FIGURES

|            |                                                                                                                                             | <b>Page</b> |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Figure 1.1 | Comparison of <i>zakat</i> collection in states with <i>zakat</i> management centers against states with no <i>zakat</i> management centers | 2           |
| Figure 1.2 | Governing structure Islamic Affairs in Thailand                                                                                             | 5           |
| Figure 2.1 | Diagram of Perception of Potential of <i>Zakat</i> funds                                                                                    | 48          |
| Figure 3.1 | Data Analysis in responding to Research Questions                                                                                           | 55          |

## **PERSEPSI TENTANG POTENSI KUMPULAN WANG ZAKAT DALAM MASYARAKAT ISLAM DI BANGKOK, THAILAND**

### **ABSTRAK**

Walaupun pembayaran zakat adalah mengikut individu sebagaimana anjuran Al-Quran dan Hadis, ia perlu diurus secara sistematik sesuai dengan sifatnya yang melangkaui sebuah ibadah peribadi. Atas sebab itu, institusi yang menguruskan hal ehwal zakat dianggap sebagai institusi sosial yang memainkan peranan yang sangat penting dalam pembangunan sosial dan kesejahteraan ekonomi Negara. Tidak hanya terjadi kepada Negara Islam tetapi juga Negara bukan Islam seperti Thailand. Di sebalik perkembangan zakat di Thailand, ada suatu hal yang menarik terjadi di Bangkok yang merupakan ibu Negara Thailand dan didominasi oleh bukan Muslim. Meskipun dana zakat tersedia ada di Bangkok, data-data tentangnya diakui kurang. Keadaan ini barangkali berpunca daripada beberapa kelemahan yang perlu dibuktikan. Untuk memahami keadaan dana zakat di Bangkok, sekurang-kurangnya ada lima soalan yang muncul. Pertama, apakah yang sebenarnya terjadi kepada pengurusan zakat di Bangkok kini? Kedua, apakah yang berlegar dalam fikiran masyarakat Muslims di Bangkok tentang dana zakat? Ketiga, apakah persepsi tentang potensi dana zakat di Bangkok? Keempat, apakah masalah pengurusan zakat di Bangkok? Kelima, bagaimanakah permasalahan yang dikenal pasti ini dapat diperbaiki? Kelima-lima persoalan ini membawa kepada tujuan kajian ini yang berhasrat (1) menilai pengurusan zakat masa kini yang dipraktikkan di Bangkok dalam kalangan komuniti Muslims, (2) menganalisis potensi dana zakat di Bangkok. Pengutipan data dilakukan menerusi kaedah temu bual

bersama pengarah empat dana zakat dan kaedah soal selidik ke atas 355 orang Muslims di Bangkok. Kajian ini mendapati sebahagian besar responden membayar zakat terus kepada penerima zakat. Mereka berpendapat bahawa dana zakat di Bangkok mampu diurus secara bersendirian berikutan ramainya Sarjana Islam dalam pelbagai jawatankuasa mereka. Pun begitu, majoriti daripada mereka tetap berkeinginan untuk membayar zakat melalui dana zakat yang diurus secara institusi jika sistem pengurusannya diperbaiki termasuk aspek perhubungan awam. Selain itu, dana zakat yang diharapkan oleh para pembayar zakat mestilah memiliki ketelusan, tadbir urus yang baik, kebolehpercayaan dan keselesaan. Untuk itu, aspek kutipan dan pengagihan zakat oleh pihak institusi dana zakat perlu ditambah baik dari semasa ke semasa. Satu lembaga zakat juga perlu ditubuhkan di Thailand untuk melatih dan mengeluarkan pegawai zakat profesional. Dalam masa yang sama, ia menyokong perkembangan apa jua kajian berkaitan zakat ke arah membina sistem zakat yang lebih dinamik dan komprehensif di Thailand.

# **PERCEPTION ON POTENTIAL OF ZAKAT FUND IN MUSLIM SOCIETY IN BANGKOK, THAILAND**

## **ABSTRACT**

Despite the zakat payment is an individual basis as stated in al-Quran and al-Hadith, it should be managed systematically in accordance with its traits which beyond a personal religious worship. For this reason, the institution which manages the zakat affairs is considered as a social institution that plays an important role in the development of social and economic well-being. Not only happened to Muslims countries but also to non-Muslims countries, such as Thailand. Behind the development of zakat in Thailand, there is an interesting matter happened in Bangkok which is the capital of Thailand and dominated by non-Muslims. Although the zakat funds are available in Bangkok, the lack of data related to them is very much conceded. This condition is probably caused by a number of weaknesses that need to be proved. At least, there are five questions to be treated in order to perceive the zakat fund in Bangkok. First, what is actually happen to the current zakat funds management in Bangkok? Second, what is hovering in the mind of the Muslims community in Bangkok towards zakat funds? Third, what is the potential of zakat funds in Bangkok? Fourth, what is the management problem of zakat in Bangkok? Fifth, how to overcome the problems identified? These five questions lead to the objectives of this study which aim to (1) assess the current zakat management practiced in Bangkok amongst Muslims communities, (2) analyse the perception of potential of zakat funds in Bangkok. Data

collection were conducted through interviews with four directors of different zakat fund institution and survey on 355 Muslims in Bangkok. The findings indicate that most respondents prefer to pay zakat directly to the zakat recipients. They perceive that the zakat funds in Bangkok can be managed in isolation since there are many shariah scholars in their various committees. On the other hands, majority of them remain prefer to pay zakat through zakat funds that are institutionalised if its management system is improved including the aspect of public relations. In addition, the zakat fund is expected to have values of transparency, good governance, reliability and comfort. Hence, the aspects of zakat collection and distribution by the zakat fund institutions should be improved from time to time. A zakat board should be also established in Thailand to train and produce professional officers. At the same time, it supports the development of any research related to zakat in order to build the more dynamic and comprehensive zakat system in Thailand.

## Chapter 1

### Introduction

#### 1.1. Introduction

The goal of Islam is to create an excellent relationship between individuals and society. As a result, society is influential in nurturing individuals' personalities and providing human security. Therefore, one of Islamic law's purposes is the social equality and distribution of wealth. Moreover, Islam gets rid of exploitation of resources and extravagance in the hope that the whole society would live in sufficiency and prosperity (Vongmadthong, 2004: 1).

Islam is a religion that provides human society with social institutions which guarantee human security for all individuals. *Zakat* (almsgiving) is an example of the principles of Islam that ensures economic equilibrium and establishes a relationship between different classes in community. Sabiq (1986: 1) said that *zakat*, means properties paid by the rich people that can help others when their urgent need arises, for example when they suffer from the flood, storm or earthquake. Allah mentioned in the Holy Quran that *zakat* is required to be collected from the rich and distributed to eight categories which are the beneficiaries of *zakat* as stated by the Holy Quran as follows:

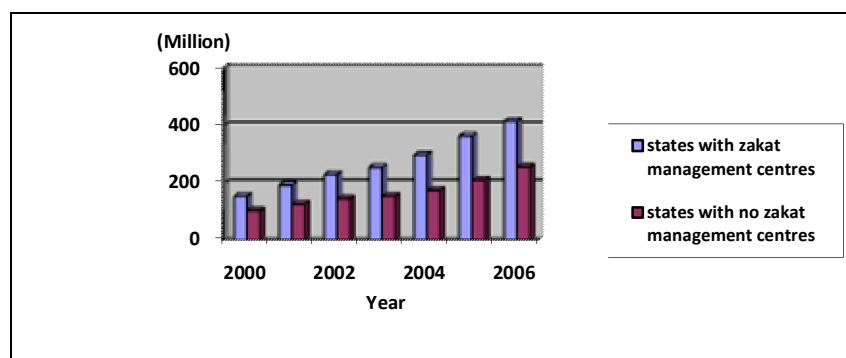
"Alms are only for the poor and the needy, and the officials (appointed) over them, and those whose hearts are made to incline (to truth) and the (ransoming of) captives and those in debts and in the way of Allah and the wayfarer; an ordinance from Allah; and Allah is knowing, Wise." (al-taubah 9:60)

Although *zakat* payment is on individual basis in accordance to the Holy Quran and Hadith, *zakat* should have efficient management to ensure that the true objectives of *zakat* are achieved. However, the verse of the Holy Quran above mentioned that one of the people who are able to receive *zakat* is a *zakat* officer, who is one of the eight *zakat*



beneficiaries. It could be said that it encourages states or communities to collect *zakat*. As a result, *zakat* is compulsory to be paid to states that impose taxes in Islamic countries, for example *zakat* in Yemen, *zakat* in Saudi Arabia, and so on according to Monzer (n.d: 10).

Furthermore, Muslims in non-Muslim countries have organised *zakat* funds which are controlled by non-government organisation (NGO) such as *zakat* fund in United States of America, *zakat* fund in Canada, *zakat* fund in Singapore, and *zakat* fund in Thailand. *Zakat* funds are so significant that they are organised whether in Islamic countries or non-Islamic countries. According to annual *zakat* report in Malaysia (2006), there is a comparison of *zakat* collection in states with *zakat* management centers such as Wilayah Persekutuan, Selangor, Negeri Sembilan, Pahang, Melaka, and Pulau Pinang against states with no *zakat* management centers such as Johor, Kedah, Sarawak, Perlis, Kelantan, Terangganu, Sabah, and Perak since 2000 to 2006. It was shown that the amount of *zakat* in states with *zakat* management centers is more than the amount of *zakat* in states with no *zakat* management centers every year as shown in figure 1.1.



**Figure 1.1 Comparison of *zakat* collection in states with *zakat* management centers against states with no *zakat* management centers (*zakat* collection in Ringgit Malaysia) (source: Laporan *Zakat* di Malaysia 2006)**

However, administration must be efficient in order to achieve the best results as described above. Thus, the management of *zakat* funds has to develop an efficient system and create a sound *zakat* fund for Muslim society.

This study researched the current management of *zakat* funds in Bangkok where Muslims are the minority. The contribution of this research is providing more information on *zakat* funds in Bangkok and hence, this research has directly contributed to *zakat* administrators and *zakat* payers. This research discussed the present *zakat* collection and distribution. Muslims in Bangkok are more knowledgeable about *zakat* funds than before. Furthermore, some expectations of Bangkok Muslim on *zakat* funds were identified too. *Zakat* prospects among Bangkok Muslim society and abilities of Islamic organisations in *zakat* administrations were highlighted in this research. Perception of potential of *zakat* fund in Bangkok was mainly analysed in this study to develop an efficient management of *zakat* funds in Bangkok.

## **1.2. Background**

Buddhism is the dominant religion in Thailand to which 90% of the population adhere and 10% of the Thai citizens belong to other religions, namely Islam, Christianity, Hinduism, and so on<sup>1</sup>. Islam has settled in Thailand for a long time since Ayutthaya monarchies. There was a Persian trader, named Abdul Aziz Ahmad, who came to Ayutthaya for trading along with other Persian and Arab traders. They did not confine themselves to the purpose of trade, but they were representatives of Islamic

---

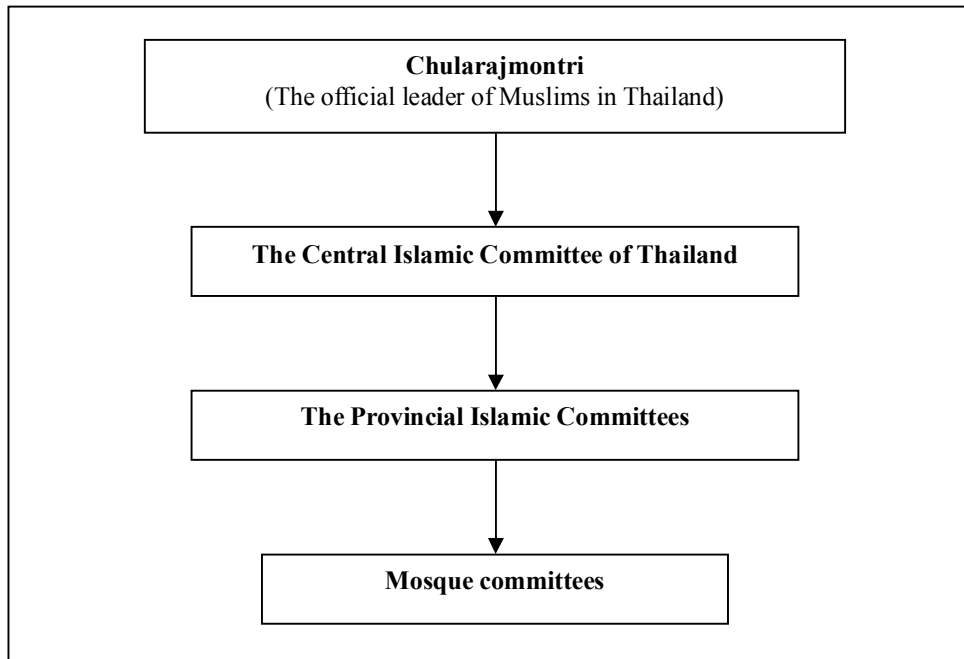
<sup>1</sup> 57,157,751 are Buddhist. 2,777,542 are Muslim. 486,840 are Catholic. 52,631 are Hindu. 6,925 are Confucius. Source: The 2000 Population And Housing Census Whole Kingdom, National Statistical Office, Office Of The Prime [http://service.nso.go.th/nso/nso\\_center/project/search\\_center/23project-th.htm](http://service.nso.go.th/nso/nso_center/project/search_center/23project-th.htm) (accessed January 1, 2008)

missionary who preached Islam to the local people. As a result, a big number of people have embraced Islam up to the present time. In addition, majority of Muslims are located in the provinces of Pattani, Yala, Narathiwat, and Satun because the area was part of the Melayu Muslim state in the ancient time. The rest are scattered all over the country particularly Bangkok and the surrounding provinces in the central plain.

Muslim population in Bangkok consists of the original local Muslims and those who migrated and settled in the area in the past. Muslim citizens that constitute 4.1% of the Muslim population reside in Bangkok<sup>2</sup>. There are about 180 registered mosques in Bangkok. As for the official body that governs Islamic affairs whose structure is shown in the figure 1.2, the Central Islamic Committee of Thailand is a state agency consisting of Chularajmontri (the elected leader of Muslims in Thailand) who sits in the committee as the chairman. The committee members of this organisation are representatives of Provincial Islamic Committee and mosque committees in Thailand. The Central Islamic Committee of Thailand is entitled to act as the advisor for Interior Ministry and Education Ministry for affairs related to Muslim citizens. The main motive of the committee is to promote religious activities and Islamic education in coordination with local and government bodies.

---

<sup>2</sup> The population of Bangkok is 6,355,144 people, 262,023 out of whom are Muslims. Source: *The 2000 Population And Housing Census Whole Kingdom*. National Statistical Office2000. *Population And Housing Census Whole Kingdom*. National Statistical Office2000. [http://service.nso.go.th/nso/nso\\_center/project/search\\_center/23project-th.htm](http://service.nso.go.th/nso/nso_center/project/search_center/23project-th.htm) (accessed January 1, 2008).



**Figure 1.2 Governing Structure of Islamic Affairs in Thailand**

There are several Islamic welfare organisations in Bangkok. These Islamic organisations offer donations to Muslim residents in varied forms such as student grants and financial assistance for orphans as well as the needy. Moreover, the voluntary foundations aim to provide Islam-based visions through media such as television, radio, newspaper, and website with the donation collected occasionally.

Nevertheless, *zakat* of wealth (*zakat al mal*) does not receive public attention as much as it is supposed to. Some organisations utilise *zakat* for planning and implementing their activities, but perhaps the strategy undertaken to manage it is poorly organised. Individual payments are predominantly observed. Collection of *zakat* is rarely done by organisations. The common form of *zakat* payment is the one collected at the end of *Ramadan* known as *zakat Fitriah*. This is perhaps attributed to the fact that the law implemented upon Thai Muslims is not Islamic law. It does not provide for *zakat* fund. It also has not formulated any system to collect and distribute annual *zakat*. The current

provision for *zakat* is on the individual basis. Whoever owns a property is required to pay *zakat* on him (Osman et al, 2003: 25).

Some Muslim organisations that collect and distribute *zakat* on wealth in Bangkok currently are Islamic Bank of Thailand, Islamic Committee of Bangkok, Foundation of Islamic Centre of Thailand and some Mosques (Hasalem et al, 2007: 121). However, the collection methods in each organisation vary from one to another. They do not coordinate information between them. The organisations are not authorities to force people to pay *zakat*. It depends on those who are *zakat* payers, whether to pay to them or otherwise.

Recently, there is an attempt to draw up a bill concerning management of *zakat* funds by some Islamic scholars. It is being prepared by the Ministry of Social Development and Human Security. This Bill is in the process of submission. The main purpose of the bill is to provide a set of regulations in managing *zakat* funds and to serve as legal reference whereby *zakat* funds are overseen in order to achieve transparency both in collecting and distributing *zakat*. According to the proposed bill, all *zakat* funds in provincial and community level will be required to register as juristic persons and be subjected to official scrutiny (Pereire, 2007: 4).

In fact, Bangkok is the capital city of Thailand and headquarters for all business units. So, the income growth of Bangkok should be higher than other provinces. Because of this, the researcher is interested in studying the *zakat* fund in Bangkok. The researcher attempted to have contributively role in social development of Muslim society because there are still a lot of problems, especially poverty and inequality, requiring continuous improvement and progress.

### 1.3. Statement of the Problem

Most of Islamic taxes mentioned in the Holy Quran come under category of *zakat*. *Zakat* is one of the pillars of Islam and an extremely important aspect of Islamic code of conduct. *Zakat* is mentioned in the Holy Quran 60 times many of which come in parallel with *solat* (prayer). *Zakat* is not only important in terms of religion but it is also important both in terms of society and economy (Osman et al, 2003: 8). However, it cannot achieve its true objective as the tool to relieve misery and solve economic problems if there is no systematic *zakat* collection and distribution.

Although *zakat* payment is on individual basis in accordance to the Holy Quran and Hadith, *zakat* should be managed efficiently because *zakat* is more than a personal worship; it is also a social institution that plays a very important role in social development and economic welfare. As a result, many Muslim countries have established *zakat* funds. Furthermore, Muslims in non-Muslim countries have organised *zakat* funds which are controlled by Non-Government Organisation (NGO) such as Muslims in United States of America, India, Singapore, and so on.

For example, *Zakat* Foundation of America<sup>3</sup> was established in 2001 during a time when humanitarian organizations faced increased scrutiny in their activities and procedures, leading to new standards in transparency and accountability. As a US-based, Muslim-run charity organization that serves needy communities both at home and abroad, *Zakat* Foundation shows the inclusive beauty of Islam through programs that reach the destitute worldwide. Since its establishment, *Zakat* Foundation has progressed

---

<sup>3</sup> Available from [http://zakat.org/about\\_us/](http://zakat.org/about_us/)

from mostly offering immediate emergency aid and Seasonal Programs to a focus on severing the roots of poverty, utilizing *Zakat* and *Sadaqa* donations to develop long-term, sustainable solutions. The goal of the *zakat* foundation is to address immediate needs and ensure the self-reliance of the poorest people around the world with *Zakat* and *Sadaqa* dollars of privileged Muslims and the support of other generous donors.

*Zakat* Foundation of India<sup>4</sup> was established in 1997 as a grassroots level organization by concerned residents of New Delhi. They are a Non-Governmental/Non-Profit Organization which collects and utilizes '*zakat*' or charity for socially beneficial projects in a transparent and organized manner. Their projects include running an orphanage, charitable hospital, providing stipends to widows, micro credit etc. *Zakat* Foundation of India is registered with Government of India under Indian Trusts Act. It is also registered under: (a) Sections 12 A & 80 G of Income-tax Act and (b) Foreign Contribution Regulation Act. In October 2008, *Zakat* Foundation of India entered a 5 year partnership with One World Children's Fund (OWCF) - a San Francisco, USA based non-profit organization. OWCF facilitates increasing awareness and fundraising for ZFI in the United States. This collaboration allows donors to receive U.S. Taxation benefits for their donation to ZFI, via OWCF's 501(c)(3) non-profit status. As part of this fundraising for ZFI, 100% of funds received by One World Children's Fund will be sent to ZFI and no part of donations will be diverted for administrative expenses of One World Children's Fund.

Moreover, in Singapore, *Majlis Ugama Islam Singapura* (MUIS) firstly collected *zakat* on wealth and *zakat fitrah* in 1968 (Amina 1991: 200-202). MUIS is committed to

---

<sup>4</sup> Available from <http://www.zakatindia.org/>

distributing *zakat* to 8 *asnafs* in accordance to Allah's command. MUIS distributed *zakat* which amounted to RM 43,573,048.74 in 2008<sup>5</sup>.

For *zakat* funds in Thailand, these *zakat* funds in non-Muslim countries are good models to develop management of *zakat* fund further. It is because management of *zakat* funds in Thailand is still weak, for example, firstly there is no authorized officer to collect *zakat* from *zakat* payers, secondly *zakat* funds are often tardy in collecting *zakat*, and lastly Thai Muslims do not cooperate in *zakat* collection of funds. Subsequently, the problems of *zakat* distribution are that *zakat* officers lack knowledge of *zakat* distribution and then they distribute *zakat* to their relatives which are not categorised in one of the eight beneficiaries of *zakat* and so on (Osman et al 2003: 117-138; Hasalem et al 2007: 121-122). The Thai government is interested in *zakat* system but it only has a few researchers who have studied it. For example, Osman et al (2003) did a research on *zakat* management in Muslim communities in southern border Thailand. Vongmadthong (2004) did a research on *zakat* and its application in Muslim communities in Singha Nakorn district, Songkhla. Sumatarat (2005) did a research on developing management of *zakat* welfare among Muslim society in Satun province. Hasalem et al (2007) did a research on *zakat* funds. Thus, this research will enhance the information on management of *zakat* funds in Thailand. In Thailand, there are a small number of *zakat* funds known among the Thai Muslim society and there are a few people who pay *zakat* to them (Osman et al, 2003: 25). For example, in the case of *zakat* funds in Southern Thailand, there is a *zakat* fund in each community which was established by the mosque committee but most of the people distribute *zakat* by themselves. The people do not trust the *zakat* management

---

<sup>5</sup> Available from <http://www.muis.gov.sg/cms/services/zkt.aspx?id=2232>



of the mosques because they lack qualified professional human resources and infrastructure to develop a sound organisational management. Thus, *zakat* funds in Southern Thailand are still unsystematic and have not been developed (Osman et al, 2003:122).

As for *zakat* funds among Muslim society in Bangkok, there are probably some weaknesses for example, *zakat* funds do not cooperate with each other and there is a lack of public relation according to Hasalem et al (2007).

Basically, in Bangkok, there are two modes by which *zakat* is distributed. First, the people distribute *zakat* directly to the beneficiaries. Second, *zakat* is distributed by Islamic organisations. In most cases, *zakat* is processed on individual basis. The problems with the first mode is some of them distribute *zakat* improperly, meaning that it is not according to Islamic teachings which stipulated that *zakat* must reach all those who are in need in the society. Moreover, they probably do not understand the operations of *zakat* institutions. This research enhanced their knowledge of *zakat* funds.

To understand the *zakat* fund in Bangkok, a few questions have arisen. Firstly, what is actually the state of management of *zakat* funds in Bangkok now? Secondly, what are Bangkok Muslims thinking about *zakat* funds? Thirdly, what are the perceptions of potential of *zakat* funds among Bangkok Muslims? Fourthly, what are the problems of *zakat* fund management in Bangkok? Lastly, how can it be improved?

The current *zakat* fund management in Bangkok had to be evaluated to find out how it is doing currently. The perception of Bangkok Muslims towards the potential of a *zakat* fund was analysed. Subsequently, the *zakat* fund identified the actual problem of *zakat* fund management in Bangkok. Lastly, the implementation of policies were addressed.

#### **1.4. Objective**

This section discussed the objectives of the study as shown in table 1.1. There are two objectives of the study as follows:

1.4.1. To identify *zakat* fund management currently practised among Muslim communities in Bangkok

1.4.2. To analyze the perception of potentials of a *zakat* fund in Bangkok

#### **1.5. Research Question**

Those two objectives of the study could be achieved by answering the research questions as follows:

The first objective of the study, which is to identify *zakat* fund management currently practised among Muslim communities in Bangkok, was achieved by answering at least three research questions. Firstly, how do Muslims in Bangkok pay *zakat*? Secondly, how does the *zakat* fund collect and distribute *zakat* in Bangkok at present? Thirdly, what are the strengths and weaknesses of *zakat* fund management in Bangkok?

The second objective of the study, which is to analyze the perceptions of potential of *zakat* funds in Bangkok, was accomplished by answering the following at least four research questions: Firstly, how far is the *zakat* fund able to manage *zakat*? Secondly, how far are the Bangkok Muslims able to pay *zakat*? Thirdly, what are the perception of Bangkok Muslims and the expectation of Bangkok Muslims on the *zakat* fund? Fourthly, how far is the political situation in Thailand able to support *zakat* fund?

**Table 1.1 Objectives and Research Questions**

| Objective                                                                                           | Research question                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. To identify <i>zakat</i> fund management currently practised among Muslim communities in Bangkok | 1. How do Muslims in Bangkok pay <i>zakat</i> ?<br>2. How does the <i>zakat</i> fund collect and distribute <i>zakat</i> in Bangkok at present?<br>3. What are the strengths and weaknesses of <i>zakat</i> fund management in Bangkok?                                                                                                |
| 2. To analyze the perceptions of potential of <i>zakat</i> fund in Bangkok                          | 1. How far is the <i>zakat</i> fund able to manage <i>zakat</i> ?<br>2. How far are the Bangkok Muslims able to pay <i>zakat</i> ?<br>3. What are the perceptions of Bangkok Muslims and the expectation of Bangkok Muslims on the <i>zakat</i> fund?<br>4. How is political situation in Thailand able to support <i>zakat</i> funds? |

**1.6. Scope and Limitation of the Study**

This section was divided into two parts. First part was concerned with the scope of the study to clearly understand the main objective. Second part was concerned with the limitation of the study to know the limitation of the respondents, limitation of *zakat* funds, and limitation of the location.

### **1.6.1 Scope of the Study**

The study focused on the perceptions of potential of *zakat* fund in Bangkok such as the perception of potentials of *zakat* fund collection and distribution, and public relation strategy of the *zakat* funds to convince Bangkok Muslims. Subsequently, it studies the expectation of Bangkok Muslims towards *zakat* funds and Thai government in supporting the *zakat* fund system in Thailand.

### **1.6.2 Limitation of the Study**

Potential respondents for this research were Muslim residents in Bangkok and directors of *zakat* funds. Bangkok Muslims were the sample of this study because of two reasons. First, an important factor to gauge the potential of *zakat* fund in Bangkok was made up of Bangkok Muslims because they could be *zakat* payers and supporters of *zakat* funds, and the fund could not proceed without them. Second, one of the research questions in this study pertains to the expectation of Bangkok Muslims towards *zakat* funds.

Besides Bangkok Muslims as respondents, the organisations which have been collecting *zakat* and the mosque committees within Bangkok, for example Islamic Bank of Thailand, Islamic Committee of Bangkok, Foundation of Islamic Centre of Thailand, Sai Kong Din Mosque, were studied because these are all *zakat* funds in Bangkok which the researcher was aware of. In addition, this research looked into the abilities of these *zakat* funds to manage *zakat* and they are the main factor in analysing the perception of potentials of *zakat* funds.

This research did not study *zakat* organisations but focused on *zakat* funds. Actually, a *zakat* organisation and a *zakat* fund are different. *Zakat* organisation has its own director, committee and works only on *zakat* as *zakat* centre. *Zakat* funds are undertaken

by Islamic organisations, banks, or mosque committees. These organisations might have many projects such as waqf, takaful, *zakat* funds, and so on. Although, the directors of each project are different people, the committees are in the same group. A *Zakat* fund is only one of its many projects. Therefore, it could not be called a *zakat* organisation.

The location of this study was only in Bangkok. Although Muslims are not the majority in Bangkok, there are many Islamic projects which were started first in Bangkok as models for other provinces to follow such as establishing the Provincial Islamic Committee of Thailand, establishing Islamic bank of Thailand, and so on. In the case of *zakat* funds, if Bangkok Muslims have a good *zakat* fund, it will be able to guide the *zakat* funds in other provinces too. Moreover, Bangkok is the researcher's hometown and the researcher is familiar with Bangkok Islamic organisations and Bangkok Muslims. Thus, Bangkok is a better sample area than other provinces for this research.

### **1.7. Significance of the Study**

The importance of the study and the expected benefits are as follows:

1.7.1. The Central Islamic Committee of Thailand and other Muslim organisations are involved in *zakat* collection but few researches, which concerns about *zakat* fund in Thailand, has been done. Most of those researches concern about *zakat* fund in southern Thailand such as Osman et al (2003) and Vongmadthong (2004).

Therefore, this research is the early research which specialises on the perception of *zakat* fund in Bangkok.

1.7.2. The findings of the study were utilized to improve the present *zakat* performance of Muslim communities in Bangkok. This could be realised in a more systematic way in terms of *zakat* collection and distribution.

1.7.3. It is believed that the benefit of the proposed research was in accordance with the government policy in promoting social welfare and solidarity.

1.7.4. The study of *zakat* management in Bangkok potentially contributes to the academic bases of social development for the whole country.

1.7.5. A systematic *zakat* fund in Bangkok could hopefully be a model for the whole country.

## **1.8. Operational Definition**

The operational definition of the study consists of four definitions according to the title of the thesis.

### **1.8.1. Perception**

Perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world. Sensation usually refers to the immediate, relatively unprocessed result of stimulation of sensory receptors in the eyes, ears, nose, tongue, or skin. Perception, on the other hand, better describes one's ultimate experience of the world and typically involves further processing of sensory input. In practice, sensation and perception are virtually impossible to separate, because they are part of one continuous process (Lindsay and Norman, 1977). Perception in this thesis means the ability to understand the true nature of potential of *zakat* fund in Bangkok by experiences and knowledge for example, perception of ability in paying *zakat*, perception of management of *zakat* funds, perception of government supporting *zakat*, and so on.

### **1.8.2. Potential**

Potentials generally refer to qualities that exist and can be developed. However, Mehboob (2000: 106-147) uses the word “potential *zakat*” in his thesis. It means that the ability to collect *zakat*. This potential can be observed from total amount of annual *zakat* collection. In this research, the word “potential” is to look into the qualities of *zakat* funds in Bangkok and see whether it can be developed in the future or not and other things that could support *zakat* management in Bangkok too. In this research, the potential consists of *zakat* collection and distribution. It includes expectation of Bangkok Muslims of *zakat* funds.

### **1.8.3. Zakat Fund**

Hasalem et al (2007: 91) describes the meaning of *zakat* fund as the organisation which propagates *zakat* knowledge and raise Muslim people awareness of *zakat* payment. In addition, a *zakat* fund distributes properly the contribution of *zakat* to eight beneficiaries in accordance to the Holy Quran and Sunnah. Shawki (1985: 59) said that the funds of *zakat* should not be mixed with those of the *kharaj* (land tax) and that the *zakat* should have a separate treasury and a private budget for distribution of funds to eight heads of expenditure. Funds of the *zakat* do not belong to the state’s public revenues nor do they belong to the sovereign revenue of taxes in the state budget. *Zakat* funds are neither intended for all Muslims nor treated as a tax. A *Zakat* fund can be defined as a fund consisting of *zakat* collection from Muslims, whose properties reach *nisab* and they are commanded to pay *zakat* to eight beneficiaries according to the Holy Quran and Hadith. The word “*zakat* fund” in this research means a fund that collects and distributes *zakat*.

In addition, the *zakat* fund here is undertaken by Islamic organisations, Islamic bank or mosque committees. This research does not study *zakat* organisations but focuses on *zakat* funds. Actually, a *zakat* organisation and a *zakat* fund are different. A *Zakat* organisation has its own director, committee and works only on *zakat* as a *zakat* centre. *Zakat* funds are undertaken by Islamic organisations, banks, or mosque committees. These organisations might have many projects such as waqf, takaful, *zakat* fund, and so on. Although, the directors of each project are the different people the committees are of the same group. A *Zakat* fund is only one of the many projects. Therefore, it could not be called a *zakat* organisation.

#### **1.8.4. Muslim Society in Bangkok**

Muslim Society in Bangkok, Thailand refers to all Muslims of every race, for example; Thai, Chinese, Indian, and Arabian who constitute a sizeable minority group in Bangkok society. It also includes Muslims who migrated to Bangkok and Muslims who work and spend most of their time in Bangkok, whether their hometown is Bangkok or not. The people who can probably be *zakat* payers are included.

#### **1.9. Organisation of the Thesis**

This thesis is divided into five chapters. Chapter one deals with the introduction of the study which consists of background, statements of the problem, objectives, research questions, operational definition, significance of the study, and scope and limitation of the study.



Chapter two runs on literature review which highlights the concept of *zakat*, economics and social impact of *zakat*, and the practice of *zakat* in early Islam, in the present period and Thailand.

Chapter three is about the methodology which is concerned with selecting samples and reasons for conducting interviews and surveys by using a purposive sampling technique and a quota sampling technique. The question forms for interview were designed. This chapter describes to the readers how to analyse the data as well.

Chapter four involves data analysis of the findings obtained to explain the present practice of *zakat* management in Bangkok. It also explains the perception of potentials of *Zakat* Funds in Bangkok. The study is a qualitative research, so the data was analysed systematically by using content analysis.

Chapter five consists of the conclusion of this thesis. It is divided into four parts. The first part summarises the finding. The second part discusses the implications of the finding on the policy. The third part provides suggestions for further research. The last part is the conclusion.

## Chapter 2

### Literature Review

The purpose of the literature review is to highlight the literature gap which comes from a journal, book, thesis, and so on that relate to the title of research. Actually, there are a lot of books which have been written about *zakat*. These books basically mention three things which are the concept of *zakat*, economics and social impact of *zakat*, and implementation of *zakat* in Muslim countries and communities. This section will review briefly these kinds of literature to find a literature gap. This literature gap could be developed to be a conceptual framework of the study and method to find the relevant data. It relates to the objective of the study and problem statement and answers the research questions.

#### 2.1. Concept of *Zakat*

In this section, three areas which are normally described by scholars are discussed. These are items of *zakat*, condition of *zakat* property, and distribution of *zakat*. There are many issues that are certainly discussed in these three areas.

The reference in the Holy Quran on items of *zakat* is rather general. However, several *Hadiths* of the Holy Prophet (peace be upon him) made specific reference to gold, silver, camels, sheep, cows, items prepared for sale, land produce, crops and fruits.

Based on such texts from Quran and Sunnah, scholars, both classical and contemporary, formulated many views, opinions and rules about subjecting items of

wealth and income to *zakat*.

Monzer (1989: 16) mentioned that if *zakat* is collected by following the traditional Fiqhi views, its proceeds will not be more than 1 % to 2% of GDP which is not enough to provide even subsistent living to the poor, leave alone enriching them. This implies that Fiqhi views on the coverage of *zakat* should be reviewed in order to move at a reasonable speed in achieving socio-economic justice by reducing gap between the rich and the poor. For example, consistency requires imposition of *zakat* on fixed assets. This is because both "circulating assets" and "fixed assets" contribute to production process and hence, to be consistent, both should be tithable.

However, Sadeq (1994: 31) argues that it is not right to say that fixed assets are tithable only if these produce any return. It is inconsistent because idle cash is to be tithable even if it does not produce any return, but fixed assets are exempted for not earning return. This will imply favouring large holdings and penalizing small ones, since the use of fixed assets varies directly with firm size. This lacks Islamic rationality.

Yusuf Qardawi (1999: 239) points out the reason that fixed assets should be considered tithable is that the rationalization of the exemption of housing, clothing, tools etc., from *zakat* on the basis that they are non-growing and utilized for essential needs, is itself an indication that any of these items becomes subject to *zakat* if it is used for growth and for non-essential needs.

As for the conditions related to the items subject to *zakat*, Muslim scholars usually talk about five requirements such as ownership, growth, *nisab*, amount of *nisab*, and passage of one year.

The condition of growth, it must be either a growing one or itself a result of a growth process. This condition is normally used to judge the subjectivity of new items which are not mentioned by the Holy Prophet (peace be upon him) to *zakat* by scholars, for example, the fixed assets are considered tithable as was mentioned above by Yusuf Qardawi (1999: 239). Another example is a view by Sadeq (1994: 38) which has been applied in Saudi case, where *zakat* is obligatory only if the condition of growth, whether real or potential, is satisfied. Accordingly, there is no *zakat* on machines and tools, because these items do not grow.

However, Monzer (1989: 12-13) has re-examined the condition of "growth" or "potential growth" for tithe. According to him, this conditionality is arbitrary since everything has growth potential in the final analysis including the items of personal use which are *zakat* free. Besides, on the one hand, the items which are observed to grow, like trees and fodder livestock, are *zakat* free. On the other hand, the items which are not growing, for example, debts in good standing, are tithable (Monzer, 1989: 13). Thus, the condition of growth is neither all-inclusive (*Jami*) nor all exclusive (*Mani'*).

Yusuf Qardawi (1999: 62) states that the condition of growth for tithe can be used as a criterion for determining kinds of wealth that are subject to *zakat*, even if they were not specifically mentioned by the Holy Prophet (peace be upon him), as long as they are covered by the general texts of Qur'an and Sunnah. Shari'ah does not treat differently those who are similar, nor does it treat similarly those who are different, thus analogy can be used in the matter of tithe. This cannot be tagged as addition to religion, which is not allowed by God, especially since *zakat* is not a pure worship but an essential component of the socio-economic system in Islam as well.

For distribution issue, a topic that is normally discussed in this issue is about definition or scope of eight categories who are recipients of *zakat*. It is also about *zakat* proceeds which should be equally distributed among the eight categories.

Monzer (n.d.: 5) explained that:

“Although some of the Fuqaha believe that *zakat* proceeds must be equally distributed between the eight categories, the majority agrees that these two categories, poor and needy, make up the main recipients of *zakat* and they must be paid as much as required to satisfy their basic needs provided there are sufficient funds. This view is based on several sayings that mention the poor only or the poor and needy, and on the general well-known principle of the Shariah that the satisfaction of the basic needs of poor and needy in a society is the responsibility of rich and that the government can force the rich to carry out this responsibility.”

Sabiq (1986: 60) similarly states that *zakat* aims at supporting the poor by satisfying their needs. A specified amount is therefore given to them on a continuous basis to alleviate their state of poverty. This amount differs depending on circumstances and individuals.

Yusuf Qardawi (1999: 13) concludes from many Islamic scholars that:

“The Muslim state can establish factories and businesses, making them all owned by the poor and needy, whose returns and income would be sufficient to maintain the recipients, and prevent them from disposing of these properties.”

In contrast, the view of the Malikites, most of the Hanbalites, and most other jurists (Yusuf Qardawi 1999: 13) argue that the poor and needy must be given their sufficiency for one full year, no more and no less, on the grounds that the Prophet used to keep for his family food needed for one year, and that *zakat* is collected on a yearly basis, so its distribution must be on a yearly basis too.

Moreover, Sadeq (1994: 42) concludes that there are different opinions of *fiqhi* about *zakat* distribution to all eight beneficiaries and about its proportion. For example,

Abu Ubaid said that all eight beneficiaries should get *zakat*, but this has to be decided by the ruler, giving more weight to those who are more in need. To Abu Yusuf, the Imam is at liberty to give the *zakat* to anyone of the eight categories. He may spend only on one category if it deems most appropriate. According to Al-Mawardi, *zakat* should be divided into eight shares among the eight categories, if each category is available. No category should be encroached upon.

The Holy Quran had obviously distinguished the eight categories in verse 60 of chapter 90 that:

"Alms are only for the poor and the needy, and the officials (appointed) over them, and those whose hearts are made to incline (to truth) and the (ransoming of) captives and those in debts and in the way of Allah and the wayfarer; an ordinance from Allah; and Allah is knowing, Wise."

The question is whether or not it is permissible to pay *zakat* to non-Muslims. Sabiq (1986: 73) quoted that the jurists agree that unbelievers and atheists are not to be given *zakat* because of hadith which says: "Zakat is taken from the rich and given back to the poor," "the rich" refers to rich Muslims while "the poor" indicates poor Muslims.

However, Yusuf Qardawi (1999: 91) says that this hadith does not clearly exclude poor non-Muslim, since it may simply mean *zakat* should be collected and distributed in the same area. He concludes that *zakat* must first be given to poor Muslims, since it is taken from Muslim rich alone. But there is nothing to forbid giving *zakat* to the poor people of the Pledge, as long as such action does not harm the privileges of the Muslim poor.

This response is similar with the opinion of Abdul Aziz (1980: 66) and Mahmoud (1988: 176). They stated that *zakat* money may be paid to non-Muslims after meeting the needs of the Muslims. In addition, there is no indication in the Qur'an or Sunnah that

*zakat* is to be used for Muslims only. *Zakat* may be paid to non-Muslims as long as they do not fight against Islam and Muslims.

## **2.2. Economics and Social Impact of *Zakat***

Islamic economists consider that *zakat* is one of most essential pillars of Islamic economics. For example, Toseef Azid et al (2008: 56) said that the Islamic economic system is based on an interest free economy, and the structure of the economy is *zakat* based, as *zakat* is an important ingredient of the cost of the commercial assets. Metwally (1997: 943) also stated that *zakat* is the cornerstone of the financial structure in an Islamic economy. Hence they come across *zakat* practically in most of their writings. In addition, Sabahaddin (1989: 109) mentioned in his article which is about economic aspects of *zakat* that *zakat* provides the base of fiscal system and defines its scope of operation within the general institutional framework of an Islamic economy. Islamic economics argue that *zakat* affects three major economic aggregates: aggregate consumption, aggregate investment and aggregate supply.

*Zakat* can increase consumption of the poor which is directed usually towards goods that satisfy the basic needs, but reducing the consumption of the rich at its margin which is usually leisurely. It is also argued that *zakat* injection in an economy would increase consumption and reduce saving. However, Al Suhaibani (as cited in Monzer n.d.: 14) concluded from other writers' proposition that there are four elements which are related to the effect of *zakat* on consumption: 1) The difference of marginal propensities to consume of the rich and the poor. 2) The existence of large number of poor people who would receive *zakat*. 3) The total *zakat* proceeds which goes to the poor, and 4) the method of distributing *zakat* to the poor whether cash or in kind and when in kind whether in the form of capital goods or in consumption goods. If the choice of Shariah

opinion of exempting fixed assets from *zakat* enhances construction and other investment in fixed assets as compared to other forms of investment, the multiplier effect which result from a rise in aggregate consumption would increase investment. In aggregate supply, according to economic thought of Ibn Khaldun as mentioned by Salman Syed Ali (2006: 2), he mentioned that:

“Capital and labour are factors of production. Labour is an essential input of production technology in the economy, for nothing can be produced without it. The capital which we see as productive cannot generate any thing by itself unless it is complemented by labour. Moreover, capital itself is a product of labour excluding natural resources. Thus, among factors of production, human labour is noted as a fundamental factor.”

Regarding above passage, labour is very important for production, and Monzer (n.d.: 15) stated that the function of *zakat* may increase labour supply in the society as it improves the health, nutrition and other living conditions of the poor while it does not allow for a rise of dependency mentality since it is prohibited to give to people who are capable of working. Furthermore, the distribution of *zakat* in the form of capital goods, aims at enriching the poor and making them productive elements in the society, also encourages entrepreneurship and increases the supply of entrepreneurs. These are the effect of *zakat* on aggregate supply.

In terms of social impact of *zakat*, Sabahaddin (1989: 117) stated that *zakat* ensures redistribution of income and the state uses it for the purpose of alleviating poverty. It is also designed to promote the welfare function of the public expenditure. It is the same as Abdul Razzaq (1984) explained the function of *zakat* to eradicate poverty that poverty is one of the worst problems in a society. Poverty leads to crimes; most of the crimes are committed due to poverty. It also leads to hatred between the rich and the poor. The poor people, living beside the rich, feel deprived which naturally create hatred between them,