

**PRIORITIZATION OF ZAKAT DISTRIBUTION IN  
MALAYSIA**

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# **PRIORITIZATION OF ZAKAT DISTRIBUTION IN MALAYSIA**

by

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## LIST OF ABBREVIATIONS

AHP	Analytical Hierarchy Process
AIJ	Aggregating Individual Judgments
AIM	Amanah Ikhtiar Malaysia
AIP	Aggregating Individual Priorities
BNDI	Basic Needs Deficiency Index
BPMSG	Business Performance Management Singapore
CRS	Constant Returns To Scale
DEAP	Data Envelopment Analysis Program
GTP	Government Transformation Policy
JAWHAR	Jabatan Wakaf, Zakat Dan Haji
KRCMC	Kelantan Religious Council And Malay Custom
MPCHE	Monthly Per-Capita Household Expenditures
NEM	New Economic Model
NGO	Non-Government Organisation
SBF	Sarawak Baitulmal Fund
SIAD	State Islamic Affairs Department
SIC	State Islamic Council
SIRCS	State Islamic Religious Councils
SIRCS	Selangor Islamic Religious Council
SRS	Simple Random Sampling
SZB	Selangor Zakat Board
SZC	Selangor Zakat Centre
TFP	Total Factor Productivity
TPE	Transformation Program Economic
WAMM	Weighted Arithmetic Mean Method
WGMM	Weighted Geometric Mean Method

# **PENGUTAMAAN PENGAGIHAN ZAKAT DI MALAYSIA.**

## **ABSTRAK**

Pengumpulan dan pengagihan dana zakat yang cekap dan berkesan adalah salah satu kunci kejayaan pengurus zakat. Banyak kajian masa lalu telah difokuskan pada peranan zakat kepada masyarakat terutamanya berkaitan dengan pembasmian kemiskinan. Tujuan kajian ini adalah untuk mengkaji keutamaan penerima zakat yang menerima zakat dari tahun 2007 hingga tahun 2015. Kajian ini menggunakan data sekunder pengagihan dana zakat mengikut penerima zakat dari tahun 2007 hingga tahun 2015 dari semua negeri-negeri di Malaysia kecuali Perlis dan data diperolehi dari laman sesawang Jabatan Wakaf, Zakat dan Haji (JAWHAR) dan lain-lain institusi zakat. Untuk mengenal pasti kedudukan penerima zakat, kajian ini menggunakan teknik Analisis Hierarki Proses (AHP) yang membandingkan penerima zakat di setiap negeri di Malaysia menggunakan analisis teknik perbandingan berpasangan. Hasil kajian menunjukkan bahawa, dana zakat dibahagikan kepada lapan (8) penerima bantuan sebagaimana yang disebut dalam Al- Quran; Orang miskin tegar, Miskin, pengendali Zakat, cenderung kepada Islam, Hamba, Penghutang, Pengembara, dan Terkandas dalam perjalanan. Hasilnya, kumpulan kemiskinan dan Pengembara diberi keutamaan oleh institusi zakat di Malaysia dari tahun 2007 hingga tahun 2015. Sementara itu, Penghutang, Hamba dan Terkandas dalam perjalan diberi keutamaan paling sedikit menurut tahun 2007 kepada tahun 2015. Manakala, keputusan juga menunjukkan bahawa negeri berpendapatan tinggi dan rendah memberi keutamaan kepada penerima orang miskin dan pengembara. Keunikan dan keaslian kajian ini adalah untuk menilai hala tuju institusi zakat bagi menangani masalah pengagihan zakat kepada penerima zakat dalam konteks di Malaysia.

# **PRIORITIZATION OF ZAKAT DISTRIBUTION IN MALAYSIA**

## **ABSTRACT**

Efficient and effective collection and distribution of zakat fund are one of the keys successful mission of Zakat operator. Many past studies have been focused on the role of Zakat in the society especially on the poverty alleviation. The aims of the present study are to examine the priority of zakat recipients to receive zakat from the year 2007 to the year 2015. The present study employed secondary data of distribution of zakat funds according to zakat recipients from the year 2007 to the year 2015 of each state in Malaysia except for Perlis, and the data are obtained from Jabatan Wakaf, Zakat dan Haji (JAWHAR) and zakat institutions websites. First objective is to identify the rank of the recipients, present study employed the Analytical Hierarchy Process (AHP) technique which compared zakat recipients for each state in Malaysia using pair-wise technique analysis. The findings show that, zakat funds were distributed to the eight (8) beneficiaries as mentioned in Quran; Hardcore poor, Poor, Zakat operator, Inclined to Islam, Slave, Debtor, Wayfarer, and Stranded in path. As for the result, poverty group and Wayfarer are being given most priority by zakat institutions in Malaysia from the year 2007 to the year 2015. Meanwhile, Debtor, Slaves and Stranded in a Path are given the least priority according to the year 2007 to the year 2015. Meanwhile for the second objective, both high-income and low-income states in Malaysia emphasize on poor and wayfarer group and then other group of Asnaf. The unique and originality of this study are to evaluate the direction of zakat institutions to address the categories of zakat recipients in the context of Malaysia.

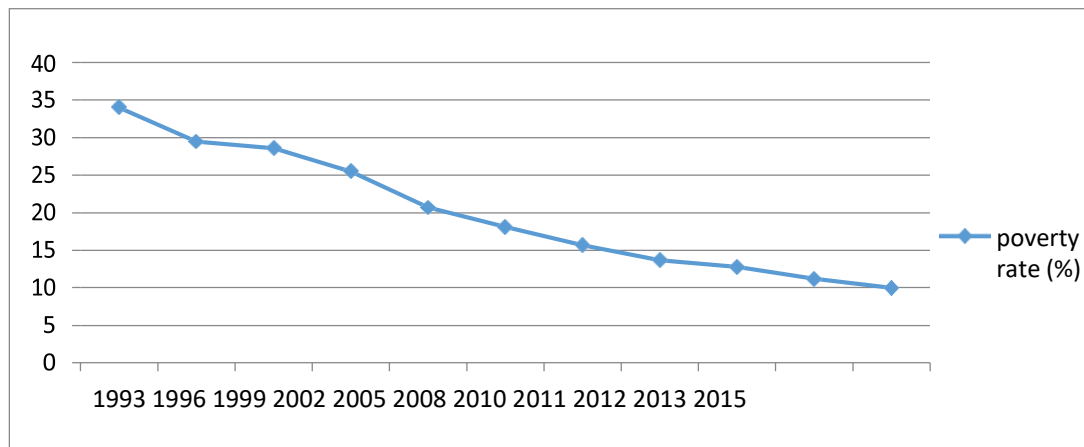
## CHAPTER 1

### INTRODUCTION

#### 1.1 BACKGROUND

Poverty is not a self-defining concept. There is a wide spectrum of perceptions about the nature of poverty and it is depending on the point of view adopted, different analyses can be carried out and strategies can be devised to eradicate poverty. Poverty is one of the biggest issues that attracted many nations attention to solve it due to the inequality problem in a society. The definition of poverty is based on the measurement of living expenses, for example the World Bank recorded broadest definition of poverty such as poverty is happened when the people are lack of key capabilities, and so have inadequate income or education, or poor health, or insecurity, or low self-confidence, or a sense of powerlessness, or the absence of rights such as freedom of speech. The World Bank categorises poverty into two (2) different groups, i.e. extreme poverty and relative poverty. Extreme poverty is for an individual's living expenses which is less than the US\$1.25 (purchasing power parity) per day, meanwhile relative poverty is for an individual's living expenses which is less than US\$2.00 (purchasing power parity) per day.

**Figure 1.1: Rate of Poverty Based on Ratio at \$1.90/Day (Purchasing Power Parity)**



Source: The World Bank (<https://data.worldbank.org/indicator/si.pov.dday>)



Figure 1.1 above shows the rate of poverty with the headcount ratio at US\$1.25 per day from the year 1993 to the year 2013. The graph of poverty rate indicates that the rate of poverty is decreasing every year. Even though it is decreasing, the issue of poverty is still given a continuous attention by governments and non-government agencies.

**Table 1.1: Percentage of Population Living below US\$1.25 a Day, 1981–2011\***

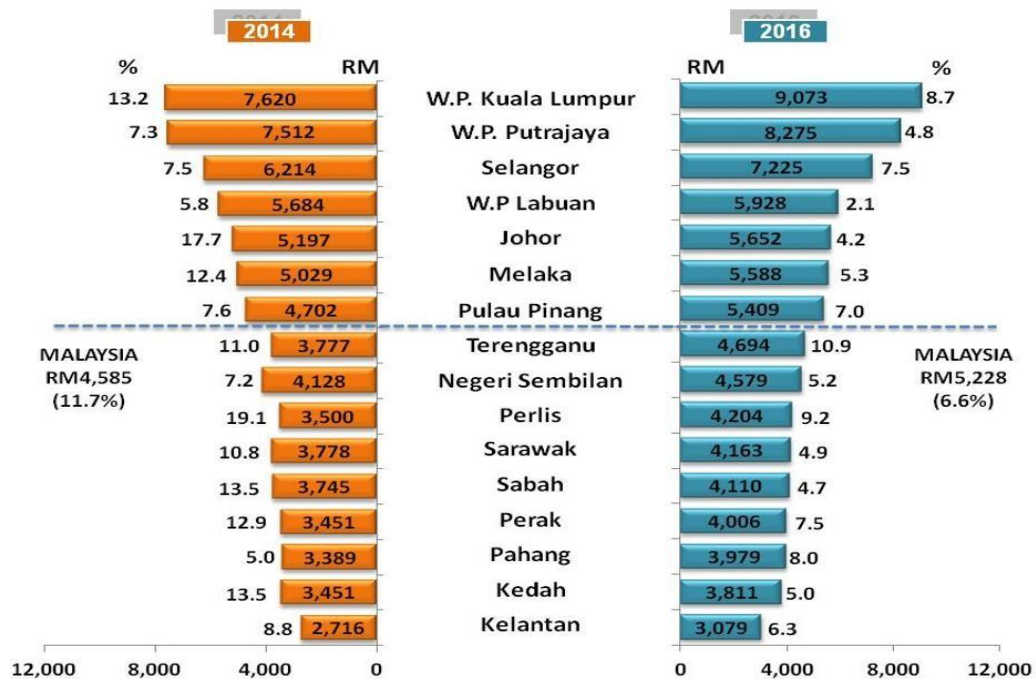
Region	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008	2011
East Asia and Pacific	77.95	65.63	54.27	57.01	51.66	38.27	35.89	27.34	16.56	13.72	7.93
Europe and Central Asia	2.92	2.31	1.88	1.54	2.87	4.28	3.83	2.13	1.26	0.49	0.49
Latin America and the Caribbean	11.66	13.38	12.47	12.63	11.14	10.57	10.95	10.22	7.35	5.37	4.63
The Middle East and North Africa	8.85	6.62	7.24	5.77	5.33	4.78	4.79	3.83	2.99	2.05	1.69
South Asia	61.35	57.73	56.85	54.09	52.07	48.55	44.96	44.1	39.28	34.05	24.5
Sub-Saharan Africa	52.81	56.29	55.81	56.78	60.84	59.75	59.4	57.18	52.86	49.65	46.85
World total	52.71	47.53	42.98	43.44	41.56	35.87	34.24	30.62	24.77	21.85	16.99

○ Source: The World Bank  
 (<http://iresearch.worldbank.org/PovcalNet/index.htm?4>)li

Table 1.1 above shows the percentage of population according to region which indicate the living below US\$1.25 per day, from the year 1981 until 2011 (The World Bank and Islamic Development Bank Group). The percentage of poverty in East Asia and the Pacific is decreasing

from the year 1981 to the year 1987 and increases in the year 1990 and later decreases until the year 2011. The percentage of poverty in Europe and Central Asia decreases from the year 1981 to the year 1990 and increases from the year 1993 until the year 1999 and then started to decrease back till the year 2008 and constant until the year 2011. Different in Latin America and the Caribbean which shows the percentage of poverty going up and down from the year 1981 until year 1993 and started to decrease from the year 1993 to the year 2011. The percentage of poverty in the Middle East and North Africa was on the decreasing trend from the year 1981 to the year 1984 and increased in the year 1987 and then it started to decrease again from the year 1990 to the year 2011. The percentage of poverty in South Asia decreased between year 1981 and the year 2011. The percentage of poverty in Sub-Saharan Africa also going up and down from the year 1981 until the year 1996 and started to decrease from that point until the year 2011. And lastly, from the World total, we can see that the percentage of poverty is decreasing from the year 1981 to the year 1987 and increases in the year 1990 before it started to decrease consistently in the year 2011. These trend shows the phenomenon of poverty is complicated and its required a systematic tool of management to assists poor people. Further to understand this phenomeonon in details, the present study intends to investigate the poverty problem in a developing country which is located in East Asia and Pasific, Malaysia. Malaysia is a Muslim majority and multiracial country which consist of 14 states.

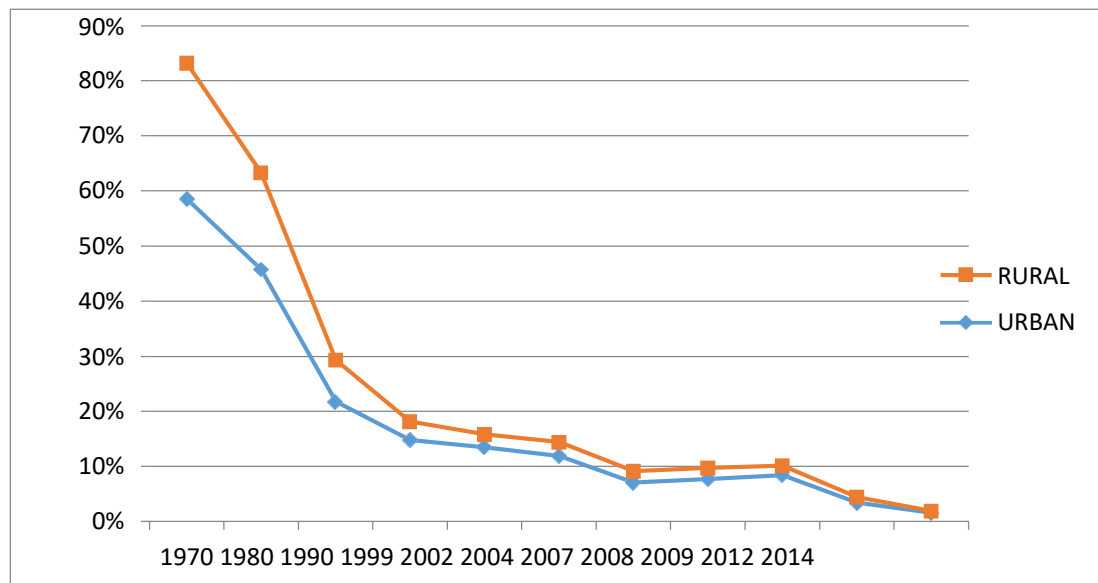
**Figure 1.2: Median Monthly Household Income by State In Malaysia For The Year 2014 And The Year 2016**



Source: Department of Statistics Malaysia 2017

Figure 1.2 shows the classification of high income and low income state in Malaysia from the year 2014 to 2016. It is depicted that changes in monthly household income influences the earning and also the respective states status in Malaysia. Furthermore, The indicator of poor in Malaysia is identified based on the minimum of monthly household income which is between RM760.00 and RM1,050.00 Meanwhile, the household income for extremely poor is between RM460.00 and RM630.00. The Malaysian government also indicate that household with an income of RM 2300.00 and below is considered as a lower income group.

**Figure 1.3: Poverty Rate of Rural and Urban in Malaysia**



Source: Department of Statistics Malaysia 2015

Figure 1.3 above shows the rate of poverty in Malaysia for the year 1970 to the year 2014 (Ekonomi, 2015) and it shows that the rate of poverty is in decreasing trend through years for both rural and urban areas except for the year 2007 till year 2009 which has a slight increased. The rate increases from 7.1 percent (%) to 7.7 percent (%) in the year 2008 and increased again to 8.4 percent (%) in the year 2009 and then it started to decrease. This is an abnormal phenomenon, and this may probably affected by the world financial crisis which has also affected Malaysia's economic growth this respective year.

The issue of poverty has been given a serious consideration by the government. Even, since the establishment of Malaysia until today, various development policies have been formulated by the government to reduce the poverty rate in Malaysia. The policies are such as Draft Development Plan of Malaya (1950-1955) and First Malaysia Plan (started in 1966) until now is Eleventh Malaysia Plan (each Malaysia

plan is activated for 5 years before formulating the following plan)<sup>1</sup>. Abd Razid (2013) in his book wrote that multiples actions have been taken by the government to assist the poor in Malaysia; i.e. transformational programs under the administration of Dato' Seri Najib bin Tun Abdul Razak. The programs are Government Transformation Policy (GTP), New Economic Model (NEM), Transformation Program Economic (TPE) and Rural Transformation Program which have successfully enhanced infrastructure facilities, creating job opportunities and activities economic benefits for the people. The government also introduced individual impact program such as 1Malaysia clinics, 1Malaysia shops, 1Malaysia People's Menu, Book Voucher 1Malaysia for form 6 students, Matriculation and students PTT as well as various "one-off" assistance like Bantuan Rakyat 1Malaysia's (BR1M) for citizen and aids for schooling for Standard 1 (primary school) until Form 5 students (secondary school) which aims to help low-income people deal with the cost of subsistence living current. Malaysian's government also introduced Amanah Ikhtiar Malaysia (AIM) in 1987 which aims to reduce poverty by creating jobs for the disadvantaged individuals and groups. AIM offers micro credit financing to finance economic activities, improvised income status as well as providing guidance and continuous training to the poor entrepreneur to uplift their business activities. One of the programs under this organization is Ikhtiar financing scheme (IFS) microfinance designed to meet the

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<sup>1</sup>source: [www.epu.gov.my](http://www.epu.gov.my)

needs of the poor and marginalized especially in rural areas to increase income and removing themselves from the poverty line.

Besides the intervention of the Malaysian government, the issue of poverty also discusses from the perspective of religion. For example, in Islam, poverty is defined based on an individual fails to fulfil any of the five (5) basic human requirements of life that are based on *Maqasid Shariah*<sup>2</sup>: i) protection of religion, ii) protection of physical self, iii) protection of knowledge, iv) protection of dignity, and v) protection of wealth, Ahmad Nadzri, F. A., Abd Rahman, R., & Omar, N. (2012). Islam also teaches humankind to free themselves from poverty. A *hadith*<sup>3</sup> reported that Prophet Muhammad (peace be upon him) had sought Allah's refuge from poverty:

*"O, Allah! I seek refuge with You from laziness and geriatric old age, from all kinds of sins and from being in debt; from the affliction of the Fire and from the punishment of the Fire and from the evil of the affliction of wealth; and I seek refuge with You from the affliction of poverty, and I seek refuge with You from the affliction of Al-Mesiah Ad-Dajjal. O, Allah! Wash away my sins with the water of snow and hail and cleanse my heart from all the sins as a white*

---

<sup>2</sup> Goals and objectives of Islamic law

<sup>3</sup> Any words, actions and the silent approval, of the Prophet Muhammad peace, be upon him

*garment is cleansed from the filth and let there be a long distance between me and my sins, as You made East and West far from each other."*

(Hadith – Sahih Bukhari)

Therefore, to encounter poverty issues, Islam introduced *Sadaqa*<sup>4</sup> and *Zakat*<sup>5</sup> as a medium to help poor and the extremely poor. *Al-Quran* mentioned in *Surah Baqarah* verses number sixty (60):

*"Sadaqa is for the poor and the needy, and those employed to administer (the Zakat), for those whose hearts are to be won over, and for the freeing of human beings from bondage, and (for) those who are burdened with debts, and (for every struggle) in Allah's cause, and (for) the wayfarer: (this is) an ordinance from Allah, Allah is All-Knowing, full of Wisdom."*

Thus, expanding strategy to eradicate this problem is continuously is being formulated and, the present study would like to focus on the role of zakat which is practised by Muslim in Malaysia. Generally, the society believes that zakat is one of the many forms of financial assistance that aims to alleviate poverty and various past studies have been conducted to examine the role of zakat and its impact on poverty rate. Following the similar efforts and contributions of past studies, the present study

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<sup>4</sup> A charity to the poor without any specific amount.

<sup>5</sup> Alms that are given to the asnaf groups. The topic about zakat is being discussed broadly in chapter two

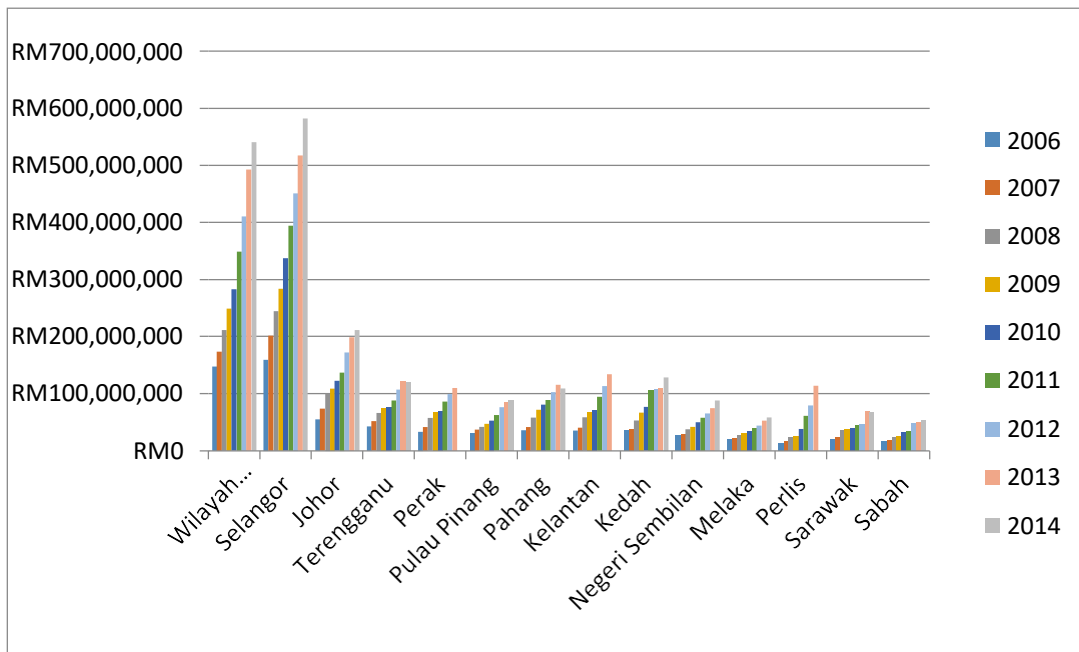
intends to extend the boundaries of research in this area by looking at the effectiveness of zakat distribution toward poverty group as one of the recipients of zakat in Malaysia. Malaysia is an Islamic country located in Asia with a population of 61.3 percent (%) Muslims, 19.8 percent (%) Buddhists, and 6.3 percent (%) Hindus, 9.2 percent (%) Christian and 3.4 percent (%) other religion (Ekonomi, 2015). As an Islamic country, Malaysia is not excluded from practising zakat. Zakat in Malaysia is managed by government institution<sup>6</sup>. Figure 4 below shows the collection of zakat in Malaysia from the year 2006 until year 2014.

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<sup>6</sup> The details of the zakat institution are discussed in chapter 2.



**Figure 4: Collection of Zakat from The Year 2006 to Year 2014<sup>7</sup>**



The trends of the collection of zakat funds from the year 2006 until year 2014 is increasing every year except for two states; Pahang and Sarawak. The amount of zakat collected in both states for the year 2014 had decreased compared to the amount collected in the year 2013. Overall, the average collections of zakat in Malaysia are increasing every year, which suggest that Muslims in Malaysia support the practices of zakat.

<sup>7</sup> Source: [http://intranet.jawhar.gov.my/spmj/public/zkt\\_statistik\\_map.php](http://intranet.jawhar.gov.my/spmj/public/zkt_statistik_map.php)

**Figure 5: Distribution Of Zakat From The Year 2006 To The Year 2014<sup>8</sup>**

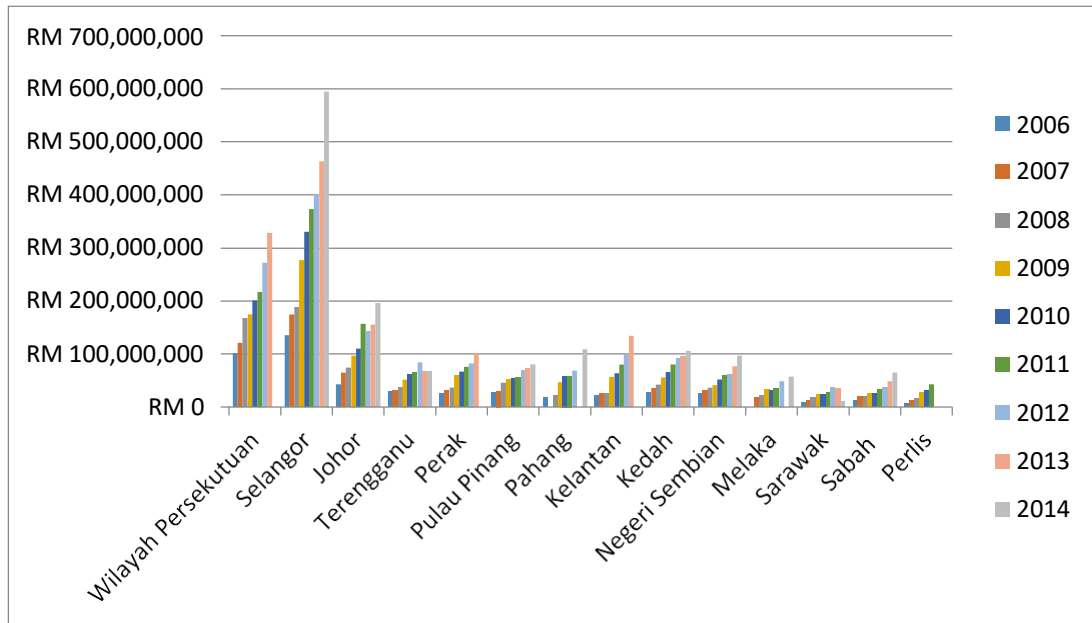


Figure 5 above shows the statistics of zakat fund distribution according to each state from the year 2006 to year 2014. The graph shows that the distribution of zakat in each state was on an increasing trend every year except for the state of Sarawak which started to decrease in the year 2013. The role of zakat in Malaysia is vital to the development of the country mainly to uplift essential needs of the beneficiaries. Based on the statistics data of the collection and distribution of zakat, there are various issues

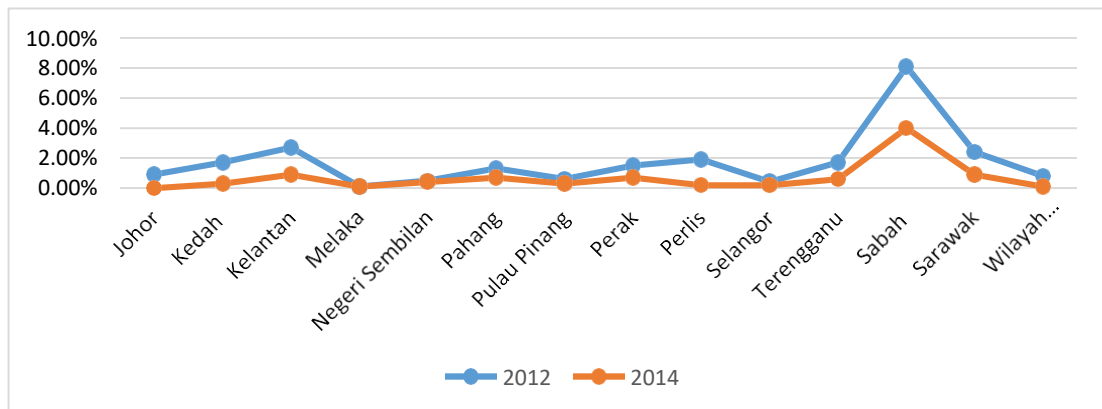
<sup>8</sup> Source: [http://intranet.jawhar.gov.my/spmj/public/zkt\\_agihan\\_stat.php](http://intranet.jawhar.gov.my/spmj/public/zkt_agihan_stat.php)

can be explored specially to understand the role and impact of zakat to the beneficiaries and the management of zakat in Malaysia. Therefore, the present study aims to extend the contribution in this area of study by exploring the effectiveness of zakat distribution to recipients which focuses on the poverty eradication and its effective management which specifically address the problem of poverty in the context of Malaysia from the year 2007 to year 2015 in Malaysia.

## 1.2 PROBLEM STATEMENT

Efficient management of institution of zakat has a massive potential to alleviate poverty and to enhance the welfare of a society. Study by Ahmad Nadzri et al., (2012) shows that, during the period of Umar bin Al-Khattab (13-22H) and Umar bin Abdul Aziz (99-101H) zakat institutions were able to collect and distribute zakat funds to overcome inequality issue especially on economic well-being in a society. Thus, the role of zakat has attracted much attention from the public, policy makers and academic researchers. Most of the time, the role of zakat is a link to the poverty issue and its effectiveness to mitigate poverty rate in a country.

**Figure 6: Poverty Rate for Each State in Malaysia for the Year 2012 And the Year 2014<sup>9</sup>**



<sup>9</sup> Source: Department Of Statistics Malaysia (DOSM) dan Unit Perancang Ekonomi (EPU), Jabatan Perdana Menteri

Figure 6 above shows the rate of poverty from 2012 until 2014 for each state in Malaysia. Based on the statistics, Sabah (8.1%) shows the highest rate of poverty in the year 2012 and followed by Kelantan (2.7%), Sarawak (2.4%), Perlis (1.9%), Kedah (1.7%), Terengganu (1.7%), Perak (1.5%), Pahang (1.4%), Johor (0.9%), Wilayah Persekutuan Kuala Lumpur (0.8%), Penang (0.6%), Negeri Sembilan (0.5%), Selangor (0.4%) and Melaka (0.1%). Meanwhile, in year 2014, the highest rate of poverty is Sabah (4%), followed by Kelantan (0.9%) Sarawak (0.9%) with the same rate of poverty. Pahang (0.7%) and Perak (0.7%) shared the same percentage rate of poverty. Next, Terengganu (0.6%), Negeri Sembilan (0.4%), Penang (0.3%) and Kedah (0.3%) with the same rate of poverty. Then followed by Selangor (0.2%) and Perlis (0.2%) which had the same rate of poverty. Then, followed by Wilayah Persekutuan Kuala Lumpur (0.1%) and Melaka (0.1%) also had the same rate of poverty. The lowest rate of poverty was Johor (0%). Based on the Figure 6, we can premise that the poverty rate for each state in Malaysia is decreasing for the year 2012 and the year 2014.

Generally, the perception of the society is not satisfied with positive statistics because the rate does not reflect the real situation, thus, the government still focus on mitigating poor problem in the society. For example, many initiatives have been taken by government to ease the burdens of the poor and the needy such as introducing “1Malaysia People’s Aid” (Bantuan Rakyat 1Malaysia) and School Aid (Bantuan Sekolah) and others, but there are still many problems associated with poverty as reported by electronic media and newspapers (Embong et al., 2013). Similarly, the Muslim community also wonders that the collection and distribution of zakat increase every year but why Malaysia still facing problem of poverty especially the Muslim. Generally, the society believes that the priority of zakat’s fund is to be given to the poor and the needy (Malaysian Digest, 2016) and, the question that raises in this study

is the concerns on how effective of the zakat institution to address issue of poverty especially the in-term allocation of zakat fund to the respective recipients?

Therefore, evaluating the allocation of zakat fund distribution is important to be examined and the trend of allocation of zakat recipients should have significant contribution specially to uplift poverty group in Malaysia. An interview has been conducted with one of the Penang's Zakat Management Centre (Pusat Urus Zakat Pulau Pinang) officer to get more information on the distributions of zakat funds to the zakat's recipients in Malaysia. The officer says that currently, there is no specific method or formula used by zakat institution to allocate zakat's fund to the respective groups of recipients. The allocation of zakat funds is depending on the number of applications of each recipients' groups. This means, the higher the number of applications received by the zakat institution, the higher fund allocated for the respective recipient. So far, the argument is derived based on the interview with Zakat officer which claimed that the perceptions of the society about zakat funds to be given priority to the Hardcore poor and the Poor recipients is incorrect. Therefore, there is a need to examine on the distribution of zakat according to the recipients of zakat in Malaysia.

### **1.3 RESEARCH OBJECTIVES**

The collection and distribution of zakat are interesting issues that cause dissatisfaction and doubt among the zakat payers in the society. Therefore, based on the issues discussed in the previous sections, the present study aims to investigate on the distribution of zakat which addresses two (2) specific objectives. The first objective is to examine the priority of recipients of zakat fund from the period of year 2007 to year 2015 in Malaysia. Meanwhile, the second objective is to compare the priority of zakat recipients between high income state and low-income state in Malaysia.

### **1.4 RESEARCH QUESTIONS**

To achieve the objectives of the study, two (2) research questions have been developed;

1. Which group of the recipients of zakat are given the prioritization by zakat institutions from 2007 until 2015?
2. Which group of the recipients of zakat are given the priority in high-income state and low-income state in Malaysia from 2007 until 2015?

### **1.5 SIGNIFICANCE OF THE STUDY**

The significance of the study can be classified into two categories: 1) to the body of knowledge; and 2) industry and policymakers.

#### **1. To the body of knowledge**

Even though there are large numbers of existing literatures on zakat, studies on examining the distribution of zakat which specifically focuses on the priority of zakat recipients and linkage to poverty rate are still rare and need to be explored. Therefore, the output of the present study is expected to contribute to various aspects especially extent new boundaries of the literature of zakat specially to address the effectiveness of decision making by zakat institution particularly to address the issue of poverty.

## **2. Industry and policy maker**

The present study employs secondary data on the collection and distribution of zakat funds which are published by the state Islamic religious councils (SIRCs) the authority body of managing zakat fund in each of the state in Malaysia. The findings of the study have a significant contribution to the industry and policy makers especially in terms of the role of zakat institution in each state in empowering the recipients such as poor people which is one of the main objectives for the government to eradicate the poverty issue in the country. Besides, the findings of the study also indicate the effectiveness of zakat institution in allocating the priority of recipient of zakat fund and the implication of the priority of recipients to the national policy.

### **1.6 DEEFINITION OF KEY TERMS**

#### **Zakat**

Zakat is growth, goodness and lot of benefit. Legally, zakat means the transfer of ownership of specific wealth to a specific individual or individuals under specific conditions (Abi Bakr, 2010). Zakat is defined by the determined share of wealth prescribed by the Creator to be distributed among deserving recipients of categories (Qaradhawi, 2006).

#### **Al-Faqir**

Al-Faqir is known as the Hardcore poor who had no possessions or belongings or if he had belongings, he had no place to keep it (Abi Bakr, 2010).



### **Al-Miskin**

Al-Miskin is known as the Poor who possessed assets or belongings and they had a place to keep it, but their possessions are inadequate (Abi Bakr, 2010).

### **Al-Amil**

Al-Amil is someone who appointed as Zakat Operator assigned to collect and distribute zakat funds to the asnaf (Abi Bakr, 2010). As the practice of zakat grows, the management and the administration of zakat also become more practical. Thus, the zakat institutions or organization which handling the zakat matters especially in collecting and distributing zakat funds also known as al-amil.

### **Muallaf**

Muallaf is someone who opened his heart which Inclined to Islam (Abi Bakr, 2010).

There are two types of Muallaf that are eligible to receive zakat: -

- a) The person who already converted from other religions to Islam
- b) The person who wishes to convert to Islam but still in process of learning and explores about Islam.

### **Ar-Riqab**

Ar-Riqab is a Slave that wanted to be ransom but he had no master (Abi Bakr, 2010).

### **Al-Gharimin**

Al-Gharimin is a Debtor who is in debt and trying to settle his debts where the debts condition is for solving his needs problems (Abi Bakr, 2010).

### **Fi sabilillah**

Fi Sabillillah is someone who fights in name of Allah in a war specially to protect his religion or his home (Abi Bakr, 2010). A Wayfarer who is studying in Allah ways (studying on *ilm fardhu ain*<sup>1</sup> and *ilm fardhu kifayah*<sup>2</sup>) also considered as *fi sabilillah* in the current situation.

### **Ibn-Sabil**

Ibn Sabil is known as a person who Stranded in a path. The person who is stranded eligible for zakat funds as long his perform his journey with only good intuitions (Abi Bakr, 2010).

## **1.7 OUTLINE OF REMAINING CHAPTERS**

The remaining chapters are as follows. Chapter 2 outlines about zakat in general and the management of zakat in Malaysia. Meanwhile, chapter 3 summaries the relevant past studies on zakat and chapter 4 discussed the research method which provides the detail explanation about the data collection and analysis of the data.

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<sup>1</sup> Ilm fardhu ain is personally obligatory knowledge refers to branches of knowledge that is incumbent for the individual to acquire; this encompasses things that relate to aqidah, tasawwuf and basic fiqh and everything else that would assist the individual from spiritual danger

<sup>2</sup> Ilm fardhu kifayah is a shared responsibility. This means that every community must produce an individual who is learned in that specific branch of knowledge, for the well-being of the community such a knowledge about medicine, gardening, hospitality, architecture and many more.

## CHAPTER 2

### ZAKAT

#### 2.1 INTRODUCTION

This chapter presents an overview of zakat which comprised of the definition of zakat from various sources, history, the evidence of zakat based on Al-Quran and Hadith, the structure of zakat and finally, the section highlights the practised of zakat in Malaysia.

#### 2.2 DEFINITION OF ZAKAT

Islam is a religion of peace that promotes the prosperity of the human being. Al-Quran and Sunnah are the primary sources of the religion which provide the perfect guidelines for the Muslim to practised worship in their daily life. Islam is based on five (5) fundamental Islamic pillars such as *Shahada* (Oneness of Creator, Allah SWT), performing compulsory prayer five (5) times in a day, fasting in the *Ramadhan*<sup>10</sup> month, pay zakat and performing Hajj for those who are capable in wealth and health. The present study would like to focus on the fourth Islamic pillar which is zakat. Zakat has been mentioned several times in Al-Quran which urged the Muslims to pay zakat, for an example in *Surah At-Taubah* verses number 43 “And establish prayer and give zakat and bow with those who bow [in worship and obedience]”<sup>11</sup>.

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<sup>10</sup> is a month in Islamic Calendar

<sup>11</sup>Al-Quran (2:43)

In Islam, zakat is defined by the determined share of wealth prescribed by the Creator to be distributed among deserving recipients of categories (Qaradhawi, 2006). Literally, zakat means growth, goodness and lot of benefit and theologically, it means spiritual purification resulting from giving zakat. Legally, zakat means the transfer of ownership of specific wealth to a specific individual or individuals under specific conditions (Abi Bakr, 2010) The practised of zakat had started in 622 AD. In earlier practised in Islam, zakat acts as a merely voluntary contribution to help the poor and the slaves who commit themselves to Allah SWT. Later, as Islam grew and become one of the most influential religion, the practised of zakat started to change into an institutionalised socio-religious duty which starting on the second (2<sup>nd</sup>) year of Hijrah (Khin et al., 2011), where the practised of zakat started during the era of Prophet Muhammad (peace be upon him) after the obligation of fasting.

There are two types of zakat: (i) *zakat al-fitr*; and (ii) *zakat al-maal*. *Zakat al-fitr* is an obligatory zakat for all Muslims regardless of ages. *Zakat al-fitr* will be paid during *Ramadhan* until the first (1<sup>st</sup>) day of *Syawal* before the sermon on Eid prayer. Meanwhile, *zakat al-maal* is known as a compulsory tax which has to be paid by the Muslims who possessed a certain amount of wealth kept for a (lunar) year. The practised of zakat during Prophet Muhammad (peace be upon him) was quite simple which the zakat funds will be collected and distributed by selective zakat collectors. As one of the zakat recipients, the zakat's collector will be given some portions of zakat funds (Ahmad Nadzri et al., 2012). The zakat items during that time were animal properties, gold, silver, coins, agriculture produced, and buried treasures (Muhammad, 1993).

During the reign of Caliph Abu Bakr, the practiced of zakat was continued as practiced by Prophet Muhammad (peace be upon him) with more systematic management. But

due to the death of Prophet Muhammad (peace be upon him), some of the followers refused to pay zakat as ruled by Islam. Thus, caliph Abu Bakr had declared to these people (Muhammad, 1993). This action shows the importance of zakat to the Muslims society. During the reign of Caliph Umar Al-Khattab, some innovation into the practised of zakat had been cultivated. First (1<sup>st</sup>), he had introduced *Al'ashir*<sup>12</sup> who was assigned to collect zakat from Muslim traders who came from other countries. Umar set several checkpoints on major highways and appointed zakat collectors at each check to collect zakat. Besides, he also introduced an institution of wealth known as *Baitulmal*<sup>13</sup> to manage zakat and country taxes. Apart from that, he also introduced more levied items, such as horses, lentils and chickpeas (Ahmad Nadzri et al., 2012).

There was not much difference in zakat management during the reign of Caliphs Uthman bin Affan and Ali bin Abi Talib. Both caliphs continued the zakat management as practiced in the reign of Caliph Umar Al-Khattab. Even though the system of zakat management can be said perfectly during the reign of Caliph Umar Al-Khattab, there were some other problems that were solved by both caliphs to ensure the proficiency in practising zakat. For examples, caliph Uthman had overcome the problem of people in debts (Gharimin) on the amount to be allocated to this zakat

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<sup>12</sup> Special zakat officer

<sup>13</sup> An institution set by caliph to manage treasury and taxes of a country.

recipient and how to solve their problems. Meanwhile, Caliph Ali bin Abi Talib solved problems regarding animal properties (Muhammad, 1993).

According to Ahmad Nadzri et al., (2012) who narrated from Qaradawi (1999), a number of scholars claimed that during the period of Umar bin Al-Khattab (13-22H) and Umar bin Abdul Aziz (99-101H) poverty is eliminated and during this period, it is believed that zakat money could not be distributed in some regions due to the non-existence of poor people. The practised of zakat have significant to many things and poverty especially and it is a part of compulsory acts which started and continuous since the era of Prophet Muhammad (peace be upon him) until today.

## 2.3 THE PRACTISED OF ZAKAT MENTIONED ON AL-QURAN AND HADITH

### 2.3.1 SELECTED VERSES FROM AL-QURAN

The practice of zakat has been mentioned in Al-Quran several times. This shows that such a practise is important in the eyes of the Creator for the benefit of the society.

Table 2 below shows some of the verses that mention zakat.

**Table 2: Selected verses from Al-Quran**

NO	VERSES	MEANING
1	<p>وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَارْكَعُوا مَعَ الرَّاكِعِينَ</p> <p>(البقرة: 43)</p>	<p>And establish prayer and give zakat and bow with those who bow [in worship and obedience].</p> <p>(Al-Baqarah: 43)</p>

2	<p>وَإِذْ أَخَذْنَا مِيثَاقَ بَنِي إِسْرَائِيلَ لَا تَعْبُدُونَ إِلَّا اللَّهَ وَبِالْوَالِدَيْنِ إِحْسَانًا وَذِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسَاكِينِ وَقُولُوا لِلنَّاسِ حُسْنًا وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ ثُمَّ تَوَلَّيْتُمْ إِلَّا قَلِيلًا مِّنْكُمْ وَأَنتُمْ مُّعْرِضُونَ</p> <p>(البقرة: 83)</p>	<p>And [recall] when we took the covenant from the Children of Israel, [enjoining upon them], "Do not worship except Allah; and to parents do good and to relatives, orphans, and the needy. And speak to people good [words] and establish prayer and give zakat." Then you turned away, except a few of you, and you were refusing.</p> <p>(Al-Baqarah: 83)</p>
3	<p>وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَمَا تَقَدَّمُوا لِنَفْسِكُمْ مِنْ خَيْرٍ تَجِدُوهُ عِنْدَ اللَّهِ إِنَّ اللَّهَ بِمَا تَعْمَلُونَ بَصِيرٌ</p> <p>(البقرة : 110)</p>	<p>And establish prayer and give zakat, and whatever good you put forward for yourselves - you will find it with Allah. Indeed, Allah of what you do is Seeing.</p> <p>(Al-Baqarah: 110)</p>
4	<p>لَيْسَ الْبِرَّ أَنْ تُوَلُّوا وُجُوهَكُمْ قِبَلَ الْمَشْرِقِ وَالْمَغْرِبِ وَلَكِنَّ الْبِرَّ مَنْ آمَنَ بِاللَّهِ وَالْيَوْمِ الْآخِرِ وَالْمَلَائِكَةِ وَالْكِتَابِ وَالنَّبِيِّينَ وَآتَى الْمَالَ عَلَىٰ حُبِّهِ ذَوِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسَاكِينِ وَابْنَ السَّبِيلِ وَالسَّائِلِينَ وَفِي الرِّقَابِ وَأَقَامَ الصَّلَاةَ وَآتَى الزَّكَاةَ وَالْمُوفُونَ بِعَهْدِهِمْ إِذَا عَاهَدُوا وَالصَّابِرِينَ فِي الْبَأْسَاءِ وَالضَّرَّاءِ وَحِينَ الْبَأْسِ أُولَئِكَ الَّذِينَ صَدَقُوا وَأُولَئِكَ هُمُ الْمُتَّقُونَ</p> <p>(البقرة: 177)</p>	<p>Righteousness is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveller, those who ask [for help], and for freeing slaves; [and who] establishes prayer and gives zakat; [those who] fulfil their promise when they promise; and [those who] are</p>