

ZAKAT MANAGEMENT IN MALAYSIA: THE CASE STUDY OF KELANTAN STATE

Nasrullah Bin Osman, Hasiya Dorosae, Annisa R Krisnasari, Dr. Yusuff Jelili Amuda¹

Abstract

The zakat institution is a very important element in Islamic socio-economics. The objective of this paper is to investigate the effectiveness and efficiency of zakat management and administration in the state of Kelantan. By analysis and finding the problem we can ensure the awareness on the obligation of zakat among the Muslims and how the Islamic Religious Council collecting and disbursement of zakat funds. This research used data collection method and articles review in order to gain information about zakat management in Kelantan. Furthermore, to overcome the management of zakat in Kelantan needs to take aggressive and affirmative steps. Option like privatization of the zakat institution should be consider to be adopted, one of the issue that fundamental to the success of zakat management is transparency.

Keyword : Zakat, Management and Administration, Zakat in Kelantan, collecting and disbursement of zakat funds.

¹ Asst. Prof. Dr. Yusuff Jelili Amuda, Department of Finance, Kulliyah of Economics and Management Sciences, International Islamic University Malaysia, Email: yusuffyja@iium.edu.my

I. INTRODUCTION

Zakat is a Quranic term that signifies the specific obligation of giving a portion of an individual's wealth and possessions for primarily charitable purposes. Literally, zakat is derived from the root word in Arabic meaning "that which purifies" and "that which fosters". It also carries other connotations of "increase" and "virtue" as well as "giving"². Al-Quran and Al-Hadith dictate that zakat is one of the pillars of Islam and people are obliged to pay zakat.

In term of zakat distribution, it is necessary to spend it only to the eight specified beneficiaries as highlighted in Al-Quran. This includes the poor and needy, the new reverts, the travelers, the slaves, those fighting in the cause of Allah, the debtors and the zakat administrators. It is reminded that there are some manners and rules that need to be observed in executing the disbursement of zakat.³

Zakat has a redistributive function where it prevent concentration of wealth in few hand by taken some from the rich and distributed it to the poor. This eventually will result in the equilibrium that leads to the harmony and peaceful society (Muhammad, n.d.). Generally, zakat disbursement function lies under the responsibility of the State Islamic Religious Council (SIRC) in most of the states in Malaysia.

The aim of this study is to investigate the effectiveness and efficiency of zakat management and administration in the state of Kelantan. Based on the analysis and finding we can ensure the awareness on the obligation of zakat among the Muslims and how the Islamic Religious Council in the state of Kelantan plays the role in collecting and disbursement of zakat funds. Several problems and solutions are also being identified to ensure the zakat management is being conducted properly.

II. LITERATURE REVIEW

Based on the research done by Muhamad Muda, Ainulashikin Marzuki and Amir Shaharuddin (2006) show the availability of zakat collection centre and the various services provided to facilitate the zakat activities is very important in influencing the zakat payment. The more facilitate is provided, the higher the probability of an individual to pay zakat.

²MohamadNizamJaafar, AmirulAffif, HardiAmri, CheNurulSahezan.A Study on the Factors Attribute to Non Participation of Zakat Income Among the Muslim Community in Selangor

³NurBarizah Abu Bakar, Abdul Rahim Abdul Rahman. Study Guide: Zakat Accounting Concepts and Application

Hairunnizam Wahid, Radiah Abdul Kader & Sanep Ahmad. (2011). Localization of Zakat Distribution and the Role of Mosque: Perceptions of Amil and Zakat Recipients in Malaysia examines the pros and cons of applying zakat management through the principle of localization and through zakat institutions. It argues on the advantages of localization of zakat but also pointed out the drawbacks of not having zakat institutions for zakat management. Muhammad Yusuf Saleem (n.d.) in book or manual for fiqh for economists 3 subject for semester 1 2011/2012 titled Fiqh for Economists III in zakat and taxation and zakat section elaborate on matters about zakat and taxation. The manual contains a lot of Arabic jargon but they are understandable as the translation or meanings are provided. It also contains information about waqaf, wasiyah⁴ and inheritance issues in Islam.

III. DATA AND METHODOLOGY

1. Data Collection

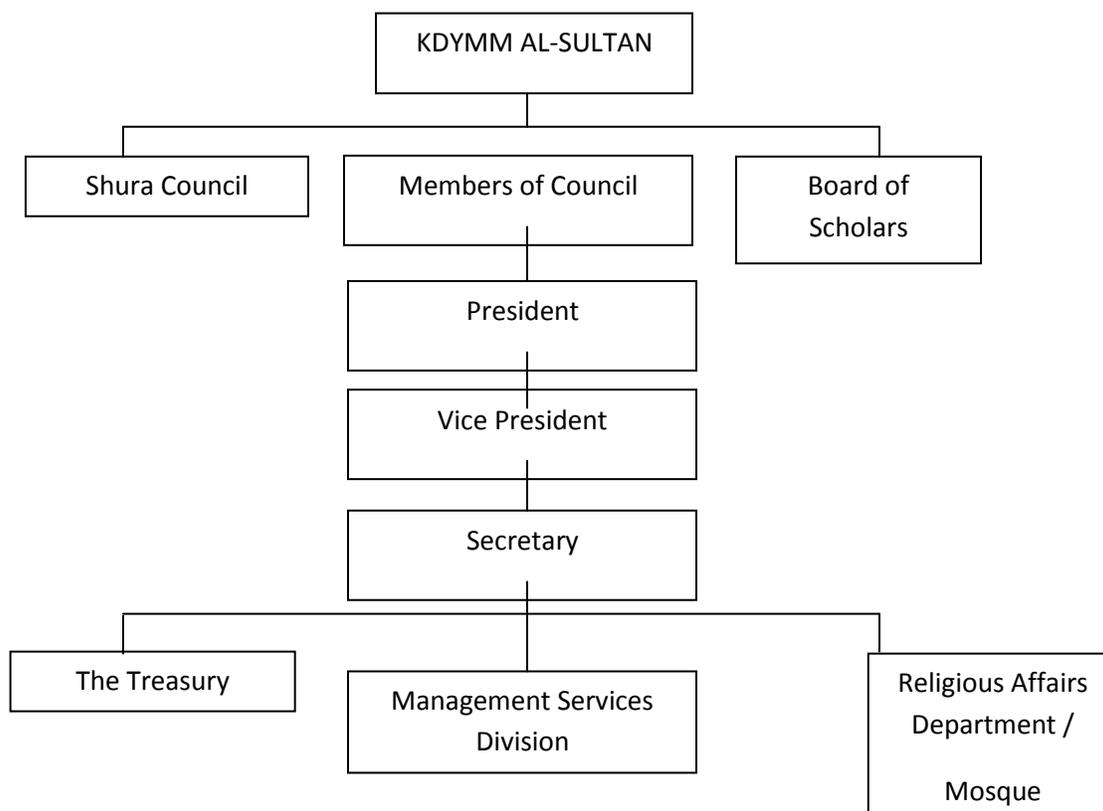
This research used data collection method in order to gain information about zakat management in the state of Kelantan. Analysis of factors affecting collection of zakat requires time series data, namely data of zakat, infaq and sadaqah.

2. Besides using data collection, we also do some article review in order to get information to support our result on the data collection.

⁴Wasiyah means will.

Zakat Management in Kelantan

Islamic Religious Council and the Malay Custom of Kelantan (MAIK)



Administrative Organization of MAIK⁵

The management of zakat in Kelantan is wholly organized by Islamic Religious Council and The Malay Custom of Kelantan (MAIK) under the full authority of the Sultan of Kelantan, Royal Muhammad the fourth. It was established on 24th of December 1915 and performs as the only organization which is managing zakat in the state. MAIK is supervised by the President who acts as the Chairman of the Council. MAIK is administered by a Members of Council, a body which being assisted by the two bodies; Shura Council and Board of Scholars. These two scholars act as the State Religion and were appointed by His Majesty the Sultan of Kelantan. There are three divisions under MAIK which are the Treasury, Management Services Division and the Religious Affairs Department and Mosque. MAIK's administration is headed by the Vice President with

⁵ Organization of MAIK. Retrieved October 16, 2013 from http://www.e-maik.my/public_new/index.php?option=com_content&view=article&id=233&Itemid=779

the help of the Secretary and all the head of units who performed as the supervisor and coordinator.

The status as the Islamic Religious Council and the Malay Custom of Kelantan, MAIK has the full responsible on managing the treasury of Muslims. All matters regarding the treasury will be managed under the supervision of the chief Development Officer who is responsible to develop the assets of the Council as well as the endowment for the benefits of the Muslims. The objectives of the Treasury Division are:

1. To produce an efficient and effective organization
2. Perform the duties of the Council in arriving to the status of a corporate body
3. To increase MAIK's earning
4. Increasing the welfare to establish a developed Islamic society

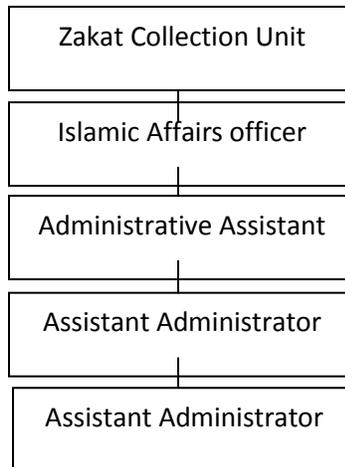
The Treasury division is divided to six units which are the zakat collection unit, zakat distribution unit, development unit, project management unit, investment unit and Complex unit Islam Sultan Ismail Petra Silver jubilee. This paper will focus on the zakat collection unit and the zakat distribution unit

Zakat Collection

Since the time of the Prophet (pbuh), the distribution of zakat has been practiced. As the head of state, Prophet (pbuh) during that time had sent 'amil to places to collect as well as to distribute zakat to the recipients. The principle of localized, which means that the collection of zakat by a specific area will be disbursed to the recipients within the same area was being practiced during the time of the Prophet (pbuh). As time evolves, a professional institution is needed in order to collect and distribute zakat in more efficient and effective way in order to meet the objectives as agreed by the fuqaha⁶ that the zakat payers should pay their zakat through the government.⁷

⁶Fiqh experts or Islamic jurispundents.

⁷Hairunnizam Wahid, Radiah Abdul Kader and Sanep Ahmad. Localization of Zakat Distribution and the role of Mosque: Perception of 'Amil and Zakat recipients in Malaysia, p.6.



Zakat Collection Unit of MAIK⁸

The Zakat Collecting Unit is responsible for managing the collection of Zakat for both Zakat of property and *Zakatul-fitr*⁹. It aims to reach its two objectives, which are to ensure that the proceeds charity of 80% as accessible estimated annual collected and to ensure taxpayers receive zakat pain an official statement in lieu of an official receipt for zakat payment within 14 working days from the date of the loss of an official receipt of the payment of zakat.¹⁰

Methods of Zakat collection:

1. Zakat payment counters at MAIK's office.

Each counter will have an 'amil¹¹ who manages the zakat payment procedure. A form will be filled in order to make payment. The zakat payers may make payment by themselves or by appointing an agent on behalf.

2. Payment of zakat by postage

MAIK has its own published article, which attached together with the zakat payment form. Zakat payers will need to fill the form and post it to MAIK building either by check or money order.

⁸ Zakat Collection Unit of MAIK. Retrieved October 18, 2013 from http://www.e-maik.my/public_new/index.php?option=com_content&view=article&id=269&Itemid=781

⁹ Charity given to the poor at the end of the fasting in the Islamic holy month of Ramadan.

¹⁰ Zakat collection unit. Retrieved October 18, 2013 from http://www.e-maik.my/public_new/index.php?option=com_content&view=article&id=269&Itemid=781

¹¹ Zakat collector

3. Payment of zakat by salary deduction scheme.

MAIK supported the enactment by the fatwa on March 1999 by which 2.5% or 1/40 will be charged based on the salary when it reaches the limit of zakat payment. This will give an ease to all the government servant and private workers because they do not have to make physical appearance to the MAIK building for payment purposes. Salary deduction for zakat can be made monthly (similar to installment) or once at the end of the year based on the cumulative salary of the respective year.

4. Payment through Pejabat Pos Malaysia.

5. Payment through internet-banking. (CIMB, BIMB, RHB, maybank2u, AMBANK).

6. Payment by Debit card.

7. Payment by banking-in to BIMB account

Year	RM	%
2001	16,582,718.19	5.2
2002	16,877,786.00	4.5
2003	18,140,371.63	4.4
2004	22,440,931.30	4.7
2005	29,372,551.46	5.1
2006	35,641,537.75	5.3

Zakat collection in Kelantan¹²

Based on the table above, an obvious trend of increasing amount in collection of zakat reflects the enhancement of zakat management in Kelantan. This may due to the practice of centralizing the zakat institution rather than the former principle of localization in zakat management. By having a zakat center, a huge pool of money can be gathered and more

¹²ShawalKaslam, (2011). Governing Zakat as a Social Institution: The Malaysian Perspective. (p. 9).

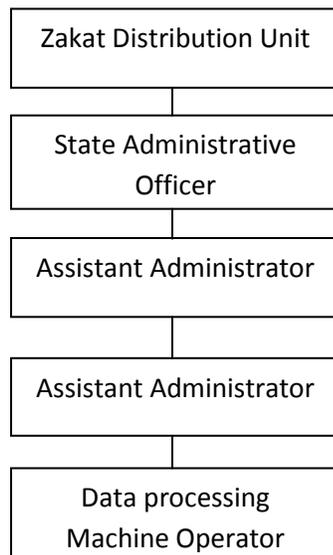
proportions of money can be distributed to the recipients. Besides, people awareness on the zakat payments increased as many ways of payments were provided by the MAIK in order to ease the zakat payers. As for this year, zakat collection has reached to RM 75,617,068.65¹³.

IV. FINDINGS AND DISCUSSION

Zakat collection problems faced by MAIK

A problem faced by MAIK in collecting zakat is having some people who pay zakat directly to the poor and needy. This obviously involves a small amount of money where receiving the payment will not help the poor and needy to pull themselves out of poverty. MAIK believes that zakat funds will be managed professionally by them and distribution will be made effectively. The huge collection of zakat payment will lead to a huge proportion of zakat distribution to the recipients. In order to face this problem, forums, classes and seminar can be conducted to train MAIK employees so that they will be able to describe in detail to the public on the effectiveness of zakat center in managing zakat funds.

Zakat Distribution in Kelantan



Zakat Distribution Organization of MAIK.

¹³MAIK Online Executive Information System. Retrieved October 16,203 from<http://182.54.217.205/>.

MAIK has two distribution programs in order to distribute zakat funds to the recipient of 8 asnaf, which are; direct distribution and indirect distribution. Direct distribution requires the zakat fund to be given directly to the hands of the 8 asnaf through existing distribution channels.

Meanwhile, indirect distribution of zakat does not require MAIK to give the money in term of cash to the recipient. Despite of that, it supports the program and gives impacts on the long term time. This helps to avoid the recipient of zakat from facing weaknesses and poor condition in future. This concept was stated also by Muhyaddin Haji Abu Bakar and Abdullah Haji Abdul Ghani (2011) that there are two concepts of zakat distribution for the poor and needy;

1. Long term distribution concept (Kifayah al Umar)
2. Short term distribution concept (Kifayah al Sanah)

Both academicians support the concept of providing facilities to the poor and needy in term of capital, tools, knowledge or equipment needed in order to earn continuous income:

Year	RM (m)	%
2000	3.14	29.96
2001	2.92	27.7
2002	3.49	29.08
2003	4.69	33.03
2004	7.05	38.74
2005	2.07 (May)	44.06

Zakat Distribution in Kelantan¹⁴

¹⁴Hairunnizam Wahid, Sanep Ali danMohd Ali Mohd Noor. (n.d.).KesedaranMembayar Zakat Pendapatan di Malaysia. Retrieved October 17,2013, from <http://www.ukm.my/hairun/kertas%20kerja/kesedaran%20membayar%20zakat%20pendapatan.pdf>

Based on the above table of zakat distribution, the amount of distribution is increasing. This shows that the distribution of zakat is getting wider may cause by the centralization of zakat institution. However, comparing the amount of zakat collected (see Table 1) with the amount of zakat distributed, there was a huge gap reflecting the surplus of amount not distributed. This may due to the drawbacks of centralizing zakat institution than practicing it under the principle of localization. Some factors contributing to the low amount of zakat distribution is because of the failure of awareness to be reached by the people in the rural area. In the other hand, if localization principle was practiced, amil would have a stronger relationship with the zakat recipients as they involves directly with each other. Thus, 'amil would have a clearer picture of the recipients' condition as well as able to reach to the area restricted by geographical obstructions. It is also believed by Hairunnizam Wahid (2011), "The zakat institutions were blamed because they were unable to recognize the deserving zakat recipients." (p. 8).

Distribution problems faced by MAIK

The failure of efficient distribution of zakat might be caused by the complication of processing the application form. There are cases where zakat application forms were not being filled accordingly. Recipients sometimes fill the form but without complete information or manipulation of information. This derives to the distribution of zakat funds to non-eligible recipients so as well non distribution could be made to some recipients who are eligible but did not receive funds because of lack of data provided. Besides, MAIK might fail to reach recipients in the rural area or there were possibilities that information regarding zakat distribution might not been received by the deserving recipients.

V. CONCLUSION AND RECOMMENDATIONS

It is very crucial and essential to let Muslim community conscious about matters related to zakat as it is an interaction means between the recipient and the contributor¹⁵. Zakat's role in the economic and social advancement of community cannot be denied as it is the third pillar of Islam. Normally people only aware about *Zakatul-fitr* and neglected the other types of zakat, for instances zakat on paddy, wealth, gold and silver, saving, business, income, share and EPF. All

¹⁵Hairunnizam Wahid, Sanep Ahmad and Radiah Abdul Kader. Pengagihan Zakat oleh Institusi Zakat di Malaysia: Mengapa Masyarakat Islam Tidak Berpuas Hati?.

these zakat kind have the same objective as the one that paid during fasting month which is to help the needy. The acumen behind obligation to pay zakat are zakat purify one's soul, to help the poor and needy people and as a supporting and helping action towards Islam¹⁶.

From the study, it is recommended that in order to overcome the management of zakat in the state of Kelantan. Option like privatization of the zakat institution should be consider to be adopted in the state. Another issue that fundamental to the success of zakat management is transparency. The bodies that held responsible for zakat collection and distribution should practice this principle as it will draw people closer to the institutions and develop trust and confidence to the institutions. In the Malaysian experience, information or data concerning to the zakat management not always available. If they are accessible, often they are incomplete and vague¹⁷. Payers need to be convinced by the institution so that they pay zakat due through the institution and not directly to the eligible receiver. The mentioned trust refers to the degree of efficiency zakat bodies' practices in distributing zakat fund¹⁸

¹⁶Azrilzuan bin Md Ali. Administration of Zakat and Waqaf Property in Negeri Sembilan and Its Contribution to Islamic Educational Institutions.

¹⁷Nik Mustapha bin Haji Nik Hassan. Zakat in Malaysia – Present and Future Status.

¹⁸Hairunnizam Wahid, Sanep Ahmad and Radiah Abdul Kader. Pengagihan Zakat oleh Institusi Zakat di Malaysia: Mengapa Masyarakat Islam Tidak Berpuas Hati?.

References

AzriIzuan bin Md Ali. Administration of Zakat and Waqaf Property in Negeri Sembilan and Its Contribution to Islamic Educational Institutions.

Hairunnizam Wahid, Radiah Abdul Kader & Sanep Ahmad. Localization of Zakat Distribution and the role of Mosque: Perception of 'Amil and Zakat recipients in Malaysia, p.6

Hairunnizam Wahid (2011), "The zakat institutions were blamed because they were unable to recognize the deserving zakat recipients." (p. 8).

Hairunnizam Wahid, Sanep Ahmad and Radiah Abdul Kader. Pengagihan Zakat oleh Institusi Zakat di Malaysia: Mengapa Masyarakat Islam Tidak Berpuas Hati?.

Hairunnizam Wahid, Sanep Ali, Mohd Ali Mohd Noor. (n.d.). Kesedaran Membayar Zakat Pendapatan di Malaysia.

Mohamad Nizam Jaafar, Amirul Affif, Hardi Amri, Che Nurul Sahezan. A Study on the Factors Attribute to Non Participation of Zakat Income Among the Muslim Community in Selangor

Muhamad Muda, Ainulashikin Marzuki and Amir Shahrudin (2006) Factors Influencing Individual Participation in Zakat Contribution: Explanatory Investigation. University College Islam Malaysia.

Muhyaddin Haji Abu Bakar and Abdullah Haji Abdul Ghani (2011)

Nik Mustapha bin Haji Nik Hassan. Zakat in Malaysia – Present and Future Status.

Nur Barizah Abu Bakar, Abdul Rahim Abdul Rahman. Study Guide: Zakat Accounting Concepts and Application

Saleem, M. Y. (n.d.). Fiqh for Economist III. 51

ShawalKaslam, (2011). Governing Zakat as a Social Institution: The Malaysian Perspective. (p. Zakat Collection Unit of MAIK. Retrieved October 18, 2013 from http://www.e-maik.my/public_new/index.php?option=com_content&view=article&id=269&Itemid=781

MAIK Online Executive Information System. Retrieved October 16, 2013 from <http://182.54.217.205/>.

Zakat Distribution Unit of MAIK. Retrieved October 16, 2013 from http://www.e-maik.my/public_new/index.php?option=com_content&view=article&id=262&Itemid=1164

Zakat Collection Unit of MAIK. Retrieved October 18, 2013 from http://www.e-maik.my/public_new/index.php?option=com_content&view=article&id=269&Itemid=781