

Role of *Zakat* to Eradicate Poverty in Malaysia (Peranan *Zakat* untuk Membasmi Kemiskinan di Malaysia)

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ABSTRACT

This paper discusses the role of zakat as a mechanism for poverty eradication. Zakat is defined as 'purification' or 'growth'. Zakat enables the wealthy or rich people to purify their hearts from greed by giving a part of their wealth to the needy. The needy who receive the zakat are then able to fulfil their needs, and, thus, the economic wealth bestowed by Allah s.w.t is spread to all the people and real economic growth is achieved. Zakat, if managed effectively and efficiently, should be able to reduce the gap between the rich and the poor. Each year, the annual reports of zakat institutions in Malaysia highlight the significant increase in zakat collection. Does the increase in zakat collection contribute to the alleviation of poverty in Malaysia? To find answers to this question, this paper observes the trend of zakat collection and analyses the pattern of zakat distribution. It is hoped that the outcome of this discussion will contribute to a better understanding of zakat management relative to its role as a tool for poverty eradication.

Keywords: Zakat; poverty eradication; zakat management; zakat distribution; asnaf

ABSTRAK

Kajian ini membincangkan peranan zakat sebagai mekanisme untuk membasmi kemiskinan. Zakat boleh didefinisikan sebagai 'pembersihan' atau 'pertumbuhan.' Zakat membolehkan orang-orang kaya atau berada membersihkan hati mereka dari sifat tamak dengan memberikan sebahagian daripada kekayaan mereka kepada yang memerlukan. Oleh itu, orang-orang miskin yang menerima zakat dapat memenuhi keperluan mereka, dan, dengan itu, kekayaan ekonomi yang dikurniakan oleh Allah s.w.t dapat disebarkan kepada semua umat dan pertumbuhan ekonomi dapat dicapai. Zakat, jika diuruskan dengan cekap dan berkesan, sepatutnya boleh mengurangkan jurang antara yang kaya dengan yang miskin. Setiap tahun, laporan tahunan institusi zakat di Malaysia menonjolkan peningkatan yang ketara dalam pungutan zakat. Adakah peningkatan dalam pungutan zakat menyumbang kepada pembasmian kemiskinan di Malaysia? Untuk mencari jawapan kepada soalan ini, kajian ini memerhatikan pola kutipan zakat dan menganalisis corak pengagihannya. Adalah diharapkan bahawa hasil perbincangan ini dapat menyumbang kepada pemahaman yang lebih baik tentang pengurusan zakat berdasarkan peranannya sebagai alat untuk membasmi kemiskinan.

Kata kunci: Zakat; pembasmian kemiskinan; pengurusan zakat; pengagihan zakat; asnaf

INTRODUCTION

Poverty in Malaysia is a controversial economic issue. The definition of poverty and the level of poverty among Malaysians have been disputed, and government policies to address poverty through the New Economic Policy are challenged by a variety of political protests. Malaysia falls under the classification of an upper middle income economy. Based on the World Bank standard, the medium income countries should calculate 'poverty line income (PLI)' based on US\$2 or RM6.40 per individual per day. The PLI is determined based on the expenditure pattern of the lowest 20 per cent of households (bottom 20%) for goods and services of non-food items such as clothing and footwear; residence (rent, loan instalment, etc.); utilities and fuel; transport; communications; tools and household equipment and various non-food goods and services for which the price level can be divided into states and strata. To date, the average household size in Malaysia

is 4.3 persons (Mok et al. 2011). Thus, as Malaysia falls under the classification of a middle income economy, theoretically, a household of 4.3 people would then need approximately RM825.60 per month to not be declared as poor. However, the poverty thresholds based on the standard PLI may not reflect the actual cost of living in Malaysia. In other words, the amount of RM6.40 per day is clearly not sufficient to provide food, let alone clothing, health and shelter.

Further, in the mid-term review of the Ninth Malaysia Plan, it shows that the current economic scenario is very challenging. The crisis in the global financial markets and increase in oil and commodity prices could affect the growth and economic stability if not properly managed (Aziz 2008). Therefore, the Malaysian government is continuing to implement and strengthen not only its revenue enhancement programs, but also the social safety and welfare of its citizen to ensure that the quality of life of the Malaysian people are preserved or better

yet improved. Malaysia is among the countries that have pursued consistent macroeconomic policies, which resulted in a growth of 6 per cent or higher and increased public spending on education, health, and family planning (Hassan 2010). The continuous effort of the Malaysian government has helped in reducing the overall poverty rate from 5.7 per cent in 2004 to 3.6 per cent in 2007. However, due mainly to the economic imbalance in 2008 this poverty rate increased slightly to 3.8 per cent in 2009. Meanwhile, data on extreme poverty show that it reduced from 1.2 per cent to 0.7 per cent in 2007 and remained at 0.7 in 2009 (Economic Planning Unit 2013).

Although the poverty rate in Malaysia is decreasing, the statistics and methods which are used to calculate PLI may be underestimated because it is arguable as to whether the PLI is realistic in respect of the current economic situation. It is undeniable that the government has taken further initiatives to ease the burden of the poor and needy by introducing the “1 Malaysia People’s Aid (*Bantuan Rakyat 1 Malaysia*) RM500” and “School Aid (*Bantuan Sekolah*) RM100” as well as subsidies for some essential goods. However, there are still many problems associated with poverty as reported in electronic media and newspapers and this needs to be addressed by *zakat* institutions. Thus, this present study intends to look deeper into the issue of poverty in Malaysia by analysing the role or contribution of *zakat* in eradicating poverty. The main purpose of *zakat* is to help the poor and needy by distributing *zakat* collected to these two groups (poor and needy) and this means *zakat* has the potentials to contribute to poverty eradication.

In alleviating the problem of poverty, Islam promotes a solution that is very precise and effective, that is making it compulsory for qualified Muslims to give alms or *zakat*. Nowadays, the awareness of the duty to pay *zakat* is increasing among the Muslim people. Evidently, *zakat* collection through *zakat* institutions has been increasing from year to year. While paying this compulsory aspect of *zakat* a way for a Muslim to purify his/her wealth and income according to the Islamic principles, *zakat* is also vital for the purpose of developing the national economy since it can be a source of microfinance to a group of people who are not capable of obtaining enough income to acquire their basic needs. To be more specific, seven sources of *zakat* must be paid from seven sources of wealth and income; *zakat* on business, *zakat* on agricultural harvest, *zakat* on savings, *zakat* on live stocks, *zakat* on mining, *zakat* on earnings and *zakat fitr*.

Looking at the various sources of *zakat* fund, it is feasible to suggest that authorities can use or have been using *zakat* collection to reduce the rate of poverty. Based on the report by the Federal Territory Religious Council of Islam (Laporan *Zakat* PPZ-MAIWP 2010), from the *Zakat* Collection Centre (ZCC), *zakat* collection has reached hundreds of millions of dollars each year. This amount is obviously large enough to assist the government in addressing the problem of poverty. Therefore, this study aims to assess whether the collection of *zakat* has actually

helped to overcome the problem of poverty. This study contributes to the literature by offering a linkage between *zakat* and the rate of poverty. Although this issue has been discussed in previous studies (Bakar & Rashid 2010; Haron et al. 2010; Othman & Noor 2012; Rahman et al. 2012), this study expands the discussion by including the distributed and undistributed *zakat* collection and how this composition can affect the *asnaf* (group). Therefore, the discussion throughout this paper will provide insights into the question concerning whether *zakat* can help to improve the quality of life of the *asnaf*, specifically the poor and the needy.

The rest of this paper is organized as follows: Section 2 presents the discussion of *zakat* and poverty eradication by reviewing the relevant literature and Islamic principles. Section 3 provides a brief discussion on the trend of *zakat* collection, *zakat* distribution and poverty rate; and, finally, Section 5 presents the conclusion.

ZAKAT AND POVERTY ERADICATION

Zakat is the third from the five main pillars upon which the Islamic code of conduct is built. The importance of *zakat* payment can be clearly seen from the verses in Al-Quran, in which the obligation to perform *salah* (prayer) is usually followed by the obligation to pay *zakat* on Muslims who have the means. In few verses in Al-Quran (Al-Baqarah 2:83) Allah SWT states;

When We made a covenant with the Children of Israel: You serve none but Allah. Show kindness to your parents, to your kinsfolk, to the orphans, and to the destitute. Exhort men to the righteousness. Attend to your prayers and pay the alms-tax. But you all turned your backs except a few, and gave no heed.

While *salah* is one-to-one obligation of a Muslim to worship Allah SWT, *zakat* or in this verse alms (tax) is the obligation ordained by Allah for the rich and well-to-do Muslims to economically help their fellow Muslims who are poor and needy. Therefore, *zakat*, which literally means growth or purification, is a system through which Muslim society can eradicate poverty and inequalities. An institutionalized *zakat* governed by the State is the economic vehicle to eradicate poverty by the redistribution of the wealth to the poor and needy. Clarke et al. (1996) stated that *zakat* is essential as a social welfare levy imposed on the wealthier members and more prosperous businesses in Islamic societies. This system can function effectively to reduce the income gap between the poor and the rich. In a similar vein, Taheri (2001) asserted that *zakat* is an important tool in establishing social justice among the Muslim community by distributing the wealth of the rich among the less fortunate. Empirically, this function of *zakat* has been documented in a study by Ibrahim (2006) who found that the distribution of *zakat* in Selangor has effectively reduced the incidence of poverty, extent of poverty and severity of poverty in that state.

Islam has established the rights of the poor and needy to receive *zakat* from the rich and wealthy. The rich and wealthy Muslims who refuse to fulfil their obligation of

zakat are basically being ungrateful and not thankful to Allah SWT who has granted richness to them, and, thus, they have committed a major sin. The rich are obliged to pay *zakat* to purify them from the sin of greed (Clarke et al. 1996). Haron et al. (2010) went a bit further by explaining that that *zakat* has a huge potential to achieve three major goals; to guarantee the fulfilment of the basic needs for all Muslims, to reduce inequalities in income and wealth, and to purify the *zakat* payers' inner self and wealth.

The distribution of *zakat* is to fulfil six basic needs of the *zakat* recipients; food, clothing, shelter, education, health and transportation. Islam has clearly prescribed the eight groups of *zakat* recipients (*asnaf*) as stated in the Holy Quran (Surah At-Taubah 9: 60). The eight groups are the needy, the poor, the *zakat* collectors (*amil*), new converts to Islam (*mualaf*), slaves (*ar-riqab*), debtors (*gharimin*), Muslims who strive in the way of Allahs.w.t (*fisabilillah*), and the wayfarers (*ibnu sabil*). The detailed explanations of these *asnaf* are given in Table 1.

TABLE 1. Description of eight *asnaf* who are entitled to received Zakat

<i>Asnaf</i>	Descriptions
Needy	A person who does not have any property and source of income, or, if he/she has a source of income it would not fully meet his/her basic needs.
Poor	A person who has property or means of livelihood but is not able to meet his/her own needs or that of his/her family members. This individual is not required to perform <i>Hajj</i> and <i>Zakat</i> , but instead is entitled to receive <i>zakat</i> and <i>fitrah</i> .
Amil	A person who is involved in the management of charity, whether as an officer or management support staff at all stages. He/she is entitled to acquire certain portion of the proceeds from <i>zakat</i> as wages.
Mualaf	A non-Muslim who recently converts or 'whose heart is made inclined' to Islam. It is believed that giving <i>zakat</i> to mualafs can be seen as a recognition and reward for choosing the right path and as a way to show the beauty of Islam.
Ar-Riqab	Muqatab is a servant who wants to liberate himself.
Gharimin	A person who is eligible to receive <i>zakat</i> because by he/she has been declared bankrupt or is heavily burdened by his/her debt.
Fisabilillah	A person who is in a 'fight' or makes efforts and do activities to uphold, maintain and promote Islam and Islamic teachings.
Ibnu Sabil	A traveller who faces depleting funds while on his/her journey from his/her country in which the journey benefits and gives good returns to Islam.

The first four groups mentioned in the verse are referred as '*muqaddam*' while the next four groups are termed as '*muakkhar*.' Although the distribution of *zakat* is to cater for all eight groups, priority should be given to the *muqaddam*, as explained in a Hadith narrated by Abu Ma'bad:

"(the slave of Ibn Abbas) Allah's Apostle said to Muadh when he sent him to Yemen, "You will go to the people of the Scripture. So, when you reach there, invite them to testify that none has the right to be worshipped but Allah, and that Muhammad is His Apostle. And if they obey you in that, tell them that Allah has enjoined on them five prayers in each day and night. And if they obey you in that tell them that Allah has made it obligatory on them to pay the *zakat* which will be taken from the rich among them and given to the poor among them. If they obey you in that, then avoid taking the best of their possessions, and be afraid of the curse of an oppressed person because there is no screen between his invocation and Allah."

(Hadith Rwahul Bukhari wa Muslim 2: 573)

It is clear that based on the Hadith, the major thrust of *zakat* is to help the poor and needy by increasing their income. With an increase in income, they should have enough to be able to live and cater for their basic needs. Thus, the system of *zakat*, if managed properly, should be able to help the poor and needy to overcome poverty. Therefore, this study proposes that to achieve

the optimal objective of poverty eradication through *zakat*, the distribution of *zakat* itself has to be done in the most precise manner possible. This must be done by first matching the two groups of *asnaf* (*faqir* and *masakin*) that are qualified to receive *zakat* based on Islamic principle with the concept of hardcore poor and poor groups in the PLI.

In general, poverty refers to inadequate income of the household while absolute poverty means extreme poverty in which people cannot even afford to fulfil their basic needs. A distinction should be made between absolute poverty (needy) and relative poverty (poor). The United Nations Development Programme (UNDP) (2000) defines absolute poverty as a lack of the income necessary to satisfy basic food needs. Meanwhile, it defines relative poverty as a lack of income necessary to satisfy essential non-food needs, such as clothing, energy and shelter. More specifically, the United Nations Millennium Development Goals (2005) defines the poor as individuals living in households that command no more than US\$1 per day per person valued at international prices. This definition is more restrictive relative to that given by the World Bank standard of PLI which suggests US\$2 per day, showing that there is a lack of consistency in the definition of poverty. Looking at these definitions, this study argues that it is

still relatively low even at the US\$2 per day standard once consideration is given on the rising cost of living nowadays, specifically in the context of Malaysia.

Next, this study proposes that to increase the chance for *zakat* to solve the incidence of poverty, the collection and distribution of *zakat*, especially the distribution to the needy and poor groups (the poverty group), must be optimized. Therefore, *zakat* institutions must be managed effectively and efficiently. That is, *zakat* institutions must find new ways to collect sufficient funds to provide for the needs of the needy and poor groups and the allocation of *zakat* funds to this group should be prioritized.

Islam views the issue of poverty as something that needs to be addressed urgently through *zakat*, since poverty may lead to *kufur* (blasphemy) if not managed accordingly. This can be seen from the urging by Prophet Muhammad SAW that Muslims should seek refuge from poverty and *kufur*. This is especially true in the present times when Christian missionaries are aggressively pursuing poor people to be proselytized to their belief, using financial and material assistance. It should be noted that during the time of Prophet Muhammad SAW in the early call to Islam in the Mecca period, many poor, weak and disadvantaged people including the slaves responded to the call to Islam. Al-Quran has called upon the rich people of Mecca to help the poor, the weak and orphans as an act of kindness since Allah has been kind to them by granting richness to them. It is well documented that Saidatina Khadijah (the first wife of the Prophet SAW) and Caliph Abu Bakar (one of the Prophet's companion) generously helped the weak and the poor. To help the poor is very much ingrained in the Islamic teaching and this can be seen from the many verses of Al-Quran in which the instruction to perform *salah* is usually followed by the instruction to pay *zakat*.

Nowadays, it is cynical to see many big, beautiful and expensive mosques are being built although the size of the congregation or the number of people attending the mandatory five times prayer (*salah*) in the mosques has not significantly increased. Will the fate of *zakat* follow the fate of *salah* in the mosques, in such a way that the collection of *zakat* increases significantly but the success of eradicating poverty through *zakat* remains a vision? The role of *zakat* to overcome poverty is well documented in the history of early Muslims. *Zakat* was implemented in Madinah in the second year of Hijrah. During Caliph Umar Al-Khattab, the administration of *zakat* (Baitulmal) had managed to overcome poverty so effectively that *zakat* payers could not find any person that was qualified to receive *zakat*. This success was emulated during the time of Caliph Umar Abdul Aziz where poverty was once again eradicated.

Zakat as a poverty eradication tool has been proven effective not once but twice in Islam. The question now is, could *zakat* still play its pivotal role in overcoming poverty in modern days? To address this question, this study examines the existing practices of *zakat* institutions in Malaysia in regard to their management of *zakat* funds

(collection and distribution) with special emphasis on their role in poverty eradication.

Malaysia has been focused on in this study mainly because it implements a unique *zakat* system which allows each state to govern its own *zakat* affairs. This is possible because the Malaysian Federal Constitution recognizes religious affairs as being a state rather than a federal matter. Since *zakat* is imposed on the Muslims based on the religious requirement, its administration comes under the jurisdiction of the state. Furthermore, a study on the effective management of *zakat* is timely because currently, the collection of *zakat* indicates that Malaysian public has become increasingly aware of and more interested in fulfilling their *zakat* obligation. That is, as collection of *zakat* reaches an increasing huge amount of money (more than one billion Ringgit), there seems to be an urgent need to investigate the effectiveness of *zakat* distribution among the states since this aspect is pertinent in ensuring *zakat* works to achieve its goals, which in this study is centred on its function to assist the poor and needy to the extent that it eradicates poverty in the country.

ZAKAT COLLECTION AND DISTRIBUTION AND POVERTY TREND IN MALAYSIA

Since 2005, both *zakat* collection and distribution in Peninsular Malaysia have recorded positive growth, and by 2008, the amount of *zakat* collection has exceeded one billion Ringgits (Laporan *Zakat* PPZ-MAIWP 2010). Over the years, the government has introduced various measures to improve the *zakat* collection system. Unlike tax, *zakat* is not legally binding for the Muslim citizen in Malaysia from the perspective of civil laws. Therefore, payment of *zakat* in reality is more an act of religious (Islam) piety instead of an act driven by legal obligation. In other words, a Malaysian Muslim will not be charged under the legal system if he refuses or fails to pay *zakat*, but he will if he refuses or fails to pay his due tax. Therefore, it is only rational to assume that one way to encourage the Muslims to pay *zakat* is by making the *zakat* payment itself more convenient as well as rewarding (not just in the sense of the merits in the "eyes" of Allah SWT, but also from the worldly incentives). For example, *zakat* has been included as part of the tax system through which a 1-to-1 tax deduction is given to those who pay *zakat*. That is, an income earner who has RM10,000 tax expenses due is only required to pay RM2,000 if he/she has already paid RM8,000 in *zakat* during the respective year. Similarly, the introduction of *zakat* instalments through monthly salary deduction method or "*thohir scheme*" has been introduced to encourage the public to pay *zakat*, and, consequently, this scheme has contributed to the increase in *zakat* collection. For instance, in 2010 ZCC collected *zakat* amounting to RM216.4 million from 78,594 payers, of which as much as RM20 million was contributed by the government sector and RM111 million from the private sector. This collection is an increase of 18 per cent compared to the collection in 2009. The contribution of

zakat collection from *thohir* scheme alone amounted to RM131 million compared to RM111 million for the same period in the previous year. To date the *thohir* scheme is the highest *zakat* payment channel compared to other channels such as direct payment through ZCC counters, or indirect payments through banks and post offices (Laporan *Zakat* PPZ-MAIWP 2010).

Table 2 shows the total collection and the distribution of *zakat* over the period of 1999 to 2009. Based on the figure, it is clear that there is an increasing trend in the collection of *zakat* in Malaysia, where, for this period, the amount of *zakat* collection reached RM7,661 billion. The increasing trend suggests that Muslims public and organizations have become more aware of their obligation to pay *zakat*. The trend might also result from an increase in the income per capita among Muslims in this country. Based on the Malaysian Economic Indicators published by the Central Bank of Malaysia in 2011, the income per

capita in Malaysia has gradually increased each year; in 2009, 2010 and 2011, the per capita income was reported at RM23,850, RM26,175 and RM29,094, respectively. Consistent with the trend in *zakat* collection, distribution of *zakat* also shows an increasing trend as reported in the ZCC websites. While both collection and distribution of *zakat* are showing an increasing trend, one could easily spot that there is undistributed balance of *zakat*. This is shown by the gap between the collection and distribution lines in Table 2. Above 20 per cent of *Zakat* is undistributed every year except for 2009. In 2010 the undistributed *Zakat* rose back to 14 per cent. Based on the observation of the ZCC report from 2007 to 2011 there is no information given on how the money from undistributed *Zakat* is utilised. Othman and Mohd Noor (2012) argue that the unexplainable of undistributed *zakat* will reflect the integrity of *zakat* centre in terms of *zakat* distribution to eligible *asnaf*, thus it affects future *zakat* collection.

TABLE 2. Zakat collection, distribution and undistributed

	1999	2001	2003	2005	2007	2009
Collection (RM mil)	195.51	320.36	408.40	573.10	806.28	1,196.87
Distribution (RM mil)	143.50	207.40	325.00	401.50	511.41	1,087.08
Undistributed (RM mil)	52.01	112.96	83.40	171.60	294.87	109.79
Percentage Undistributed	26.60	35.26	20.42	29.94	36.57	9.17

There is no clear explanation on how *zakat* should be allocated to the eligible *asnaf*, whether should it be distributed equally and how the undistributed *zakat* should be treated or reported. However, in 2008, the Melaka Council of Islam (Majlis Agama Islam Melaka) has issued a *fatwa* (ruling issued by Islamic scholars) in determining the management (distribution) of the undistributed *zakat*. The *fatwa* specifies that the undistributed *zakat* could be managed in the following manners:

1. Excess of *zakat* from any group of the *asnaf* for the current year shall be transferred to the other groups of *asnaf* who are also the recipients in the current year;
2. If still remaining, the excess *zakat* from the *zakat* collection in the current year shall be added in the collection of *zakat* from the following year according to the specified *asnaf*; and
3. Excess *zakat* is to be stored in a *zakat* fund surplus.

Further, the use and distribution from the excess of the last year *zakat* collection can only be allowed for the eight eligible *asnaf* for which the amount distributed can be increased. Undistributed *zakat* should be considered as a severe ineffectiveness in the management of the *zakat* fund collection since there are still people under poverty. It will be efficient, when all groups of the eight specified *asnaf* have all their needs fulfilled as similar as reported during Caliph Umar Al-Khattab where it is difficult to distribute *zakat* due to the inexistence of eligible recipient. Otherwise, the undistributed amount of *zakat* could lead to

the question as to why the *zakat* money is not distributed entirely. Further, it also raises questions concerning how this undistributed *zakat* is recorded and utilized. Hence, the Muslim community is seeking a clear explanation of the *zakat* fund management concerning this undistributed *zakat*.

Unfortunately, based on the observation of the annual report of the *zakat* collection centre, there is no clear explanation about where these undistributed collections are reported or have been spent. However, the more important question here is how effective is the allocation and distribution of *zakat*, and whether it really reaches the eight qualified *asnaf*, especially in respect of overcoming the poverty problem. What are the problems faced by the *zakat* authority in allocating and distributing the *zakat* collection? What is the explanation behind the incomplete distribution of *zakat* that from 1995 to 2007, the total amount of undistributed *zakat* has reached a total of approximately RM1,704 billion.

As we can see in Table 3, Malaysia had reported a huge decline in the poverty rate from 2002 to 2007. However, the year 2009 reported an increase in the poverty rate of 0.2 per cent as compared to 2007, which could result from the global economic recession in 2008. The hard core poverty rate remains unchanged. However although the percentage has decline, the number of people specifically Muslim under poverty is increasing. Like most countries in the world, the Malaysian government has been relying on tax income to overcome the problem of poverty. However, the percentage of allocation for

this purpose is mostly not sufficient to totally solve the problem, most probably because the larger portion of the tax income is utilized for development purposes such as for construction of facilities and utilities. This is because unlike *zakat* which is specifically meant for the Muslim community, tax is meant for the benefits of the public, Muslims and non-Muslims alike. Therefore, it is only

rational to assume that a proportion of the *zakat* collection is also being utilized to overcome the poverty problem, at least among Muslims which constitute one of the majority citizens in this country. In addition, this portion of *zakat* is distributed directly to the poor and needy to assist them with daily expenses.

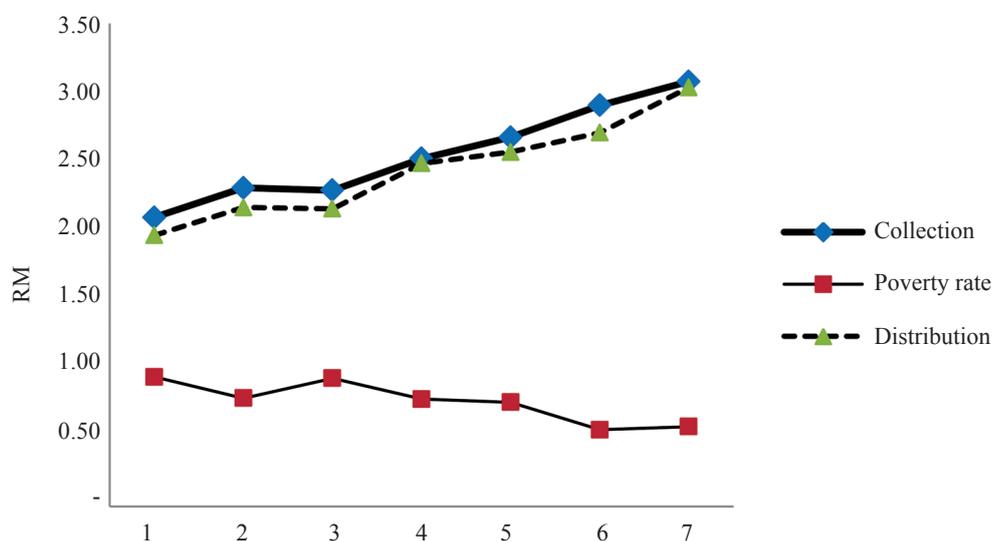
TABLE 3. Poverty rate in Malaysia from 2002 to 2009

	2002	2004	2007	2009
Poverty rate (%)	6.00	5.70	3.60	3.80
Number of citizen in poverty	1,376,418	1,354,046	899,824	981,810
Number of Muslims in poverty	737,238	727,537	485,532	530,989
Hardcore Poverty (%)	1.00	1.20	0.70	0.70
Number of citizen in hard core poverty	229,403	285,062	174,966	180,860
Number of Muslims in hard core poverty	122,873	153,166	94,409	97,814

Source: Economic Planning Unit (<http://www.epu.gov.my/household-income-poverty>)

Based on the visual inspection of Figure 1, as the *zakat* collection and distribution increases the poverty rate reduces. In general, this is a good indication that *zakat* contributes to the poverty eradication in this country because as more *zakat* are collected, the greater the sources to be distributed to the qualified *asnaf*, which include the poor and needy. However, as we can see in Table 3 although the collection and distribution of *zakat* is increasing the number of Muslims in poverty still increase as per recorded in 2009. Thus, it comes to the question on

how far has this *zakat* distributed to the needy and poor has helped to overcome the poverty. For example, in Perlis, Kelantan and Sarawak, on average, each of the needy and poor *zakat* recipients received RM755, RM1,056 and RM468 per year, respectively (Laporan *Zakat* PPZ 2010). The question is whether the *zakat* funds received by the poor and needy recipients will significantly impact their standard of living. How could they survive with these limited financial *zakat* assistance and aids?



Source: ZCC zakat reports (Laporan *Zakat* PPZ) from various years and Economic Planning Unit (<http://www.epu.gov.my/household-income-poverty>)

FIGURE 1. Relationship between *zakat* collection and poverty rate

To analyse whether the amount of *zakat* received by the poor and needy contribute significantly to poverty eradication, this study divides the amount of *zakat* these two groups received by the amount of PLI of the poor. The study will use the PLI of RM825.60 per month per

household as the standard to base the significant of *zakat* in helping to overcome poverty in Malaysia. The needy and poor groups in rich states such as Selangor received a maximum of RM500 per month in *zakat* financial aid per household (Lembaga *Zakat* Selangor 2011). This means

zakat contributes almost 61% to overcome poverty of Muslims in Selangor. This is quite significant, but the role of zakat to overcome poverty in the poorer states is less significant. For instance, the needy and poor in the state of Sarawak received RM468 per year or RM39 per month. This is only 5% of PLI of RM825.60. This difference is significant and efforts by the respective zakat institutions to remedy this situation are important.

This issue should be of concern to the authorities so that the zakat collected can really help improve the standards of living of the poor and needy in Malaysia. Providing assistance to the poor and needy throughout Malaysia through sufficient zakat in order to overcome poverty is necessary to ensure socio-economic goals for the Muslims community are enhanced.

Table 4 shows the percentage of distribution of zakat for each state for the period of 2007 to 2010. Interestingly, Table 4 shows that in some states, such as Negeri Sembilan, Perlis and Sabah, and also the Federal Territory of Kuala Lumpur, the percentage of distribution is greater than 100 per cent which means that amount of zakat distribution exceeded the amount of zakat collected during the respective year. However, none is more consistent than the zakat Collection Center of Pulau Pinang in distributing more than what it collected. There is no clear explanation from ZCC regarding this matter but one possible reason that can be offered is that the excess amount could have been the carry-forward balance from the previous year's

collection that was remain undistributed. However, this justification is less likely to explain the case in Pulau Pinang because the state's ZCC has been distributing more than 100 per cent for three consecutive years.

Figure 2 illustrates the percentage of zakat distribution over the 4-year period by state, based on the average distribution to all asnaf (black bar) and to the poor and needy (light colour bar). The horizontal lines which represent the overall average for these two average distribution categories, respectively, are plotted to create a benchmark. In general, all states distribute more than three quarters of their zakat collection, specifically 78.06 per cent. Eight of the 14 states distribute more than the average, including the Federal Territory of Kuala Lumpur which distributes just slightly more than the average. As expected, Pulau Pinang reports the highest overall average (99.63%) while the lowest is reported by Pahang which over the 4-year period only distributes slightly more than half of its zakat collection. This figure should be able to help focusing attention on the problem of undistributed zakat in states where the zakat distribution are still low. Was the problem in distribution really due to ineffective management of zakat or due to other reasons such as the poverty problems in the respective states itself. More specifically, could the low distribution in Pahang, Sarawak and Terengganu due to the fact that the insignificant poverty problems in these states?

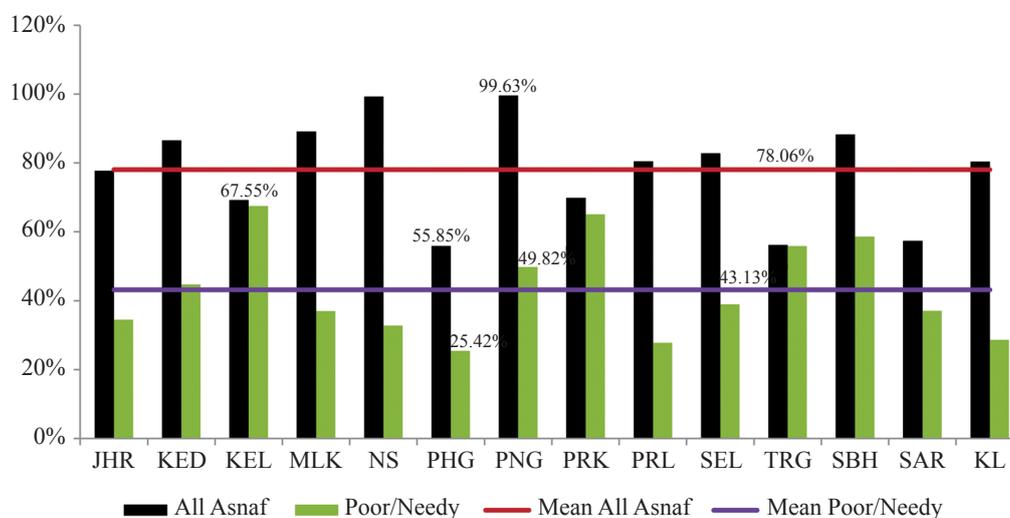


FIGURE 2. Average percentage of zakat distribution by state

Based on the percentage of distribution in Table 4, the variation of the zakat distributed yearly to the poor and needy for each state ranged from 17.13 per cent (in Pahang) to 81.91 per cent (in Kelantan) out of the total collection. Overall, Kelantan is most consistent in reporting the highest distribution of zakat for the poor and needy except in 2007, when Perak is the highest distributor. Perlis, Kuala Lumpur and Pahang were the lowest in 2007, 2008, 2009 and 2010, respectively. The overall performance by states in general, as displayed in

Figure 3, consistently shows that Kelantan is the state which distributes the most to the poor and needy. The next highest distribution to the poor and needy is reported by Perak. Both Kelantan and Perak distribute much more than the overall average (43.13%), which are 67.55 per cent and 65.13 per cent, respectively. The case in Pulau Pinang implies a state-governed ZCC which effectively distribute its zakat to those who need and entitle to receive the monetary assistance because it is implemented in a relatively rich state. However, the zakat management in

TABLE 4. Percentage of distribution to poor and needy recipients and the percentage of the total distribution for the year 2007-2010 relative to collection

State	2007		2008		2009		2010	
	% Distribution/ Collection	% Distribution to poor & needy	% Distribution/ Collection	% Distribution to poor & needy	% Distribution/ Collection	% Distribution to poor & needy	% Distribution/ Collection	% Distribution to poor & needy
Johor	59.8%	33.8%	73.8%	31.6%	87.2%	33.8%	90.2%	38.8%
Kedah	98.3%	48.9%	79.2%	46.2%	82.9%	41.4%	85.9%	42.5%
Kelantan	60.5%	59.0%	37.1%	81.9%	88.4%	61.7%	90.8%	67.6%
Melaka	81.1%	26.3%	79.5%	35.5%	103.6%	40.8%	92.3%	45.3%
Negeri Sembilan	106.3%*	34.3%	98.4%	33.2%	97.2%	33.2%	95.1%	30.5%
Pahang	47.4%	28.6%	38.4%	34.6%	65.1%	17.1%	72.5%	21.4%
Pulau Pinang	80.9%	50.4%	109.2%*	49.4%	106.3%*	51.1%	102.1%*	48.4%
Perak	42.3%	65.6%	64.3%	69.9%	77.0%	58.2%	95.9%	66.8%
Perlis	69.4%	23.2%	65.8%	30.8%	105.9%*	31.2%	80.7%	25.8%
Selangor	58.1%	45.7%	77.9%	33.3%	97.3%	38.2%	98.1%	38.5%
Terengganu	19.7%	58.4%	54.1%	46.9%	70.4%	61.7%	80.6%	56.5%
Sabah	107.5%*	58.4%	81.4%	57.7%	85.0%	56.0%	79.2%	62.4%
Sarawak	50.2%	48.1%	48.0%	39.1%	70.2%	29.1%	61.1%	32.0%
Kuala Lumpur	69.7%	33.0%	79.3%	25.7%	101.6%*	22.1%	70.9%	33.8%

Note: Asterisk * show that the percentage of total distribution exceeded the total collection

Sources: Department of Zakat, Wakaf and Hajj (JAWHAR), Prime Minister Department, and Laporan Zakat PPZ-MAIWP (2007-2010)

Perak is more impressive because this state is not one of those rich states in this country. In short, it implies a concerned state-governed ZCC.

Meanwhile, Pahang is the state which is found to distribute the least of its *zakat* collection to these two *asnaf* groups as it is reported to allocate a quarter of its *zakat* paid to these people. The fact that Kuala Lumpur also appears to be one of the *zakat* zone which allocate the lowest proportion of *zakat* to the poor and needy is somehow surprising most probably because this is one of most high income earner areas in the country. The same explanation may be offered for the low than average allocation to the poor and needy reported in Selangor. The same line of reasoning may apply in Kelantan where the high number of poor people is followed by the high allocation to these groups of *asnaf*. Whereas in Pulau Pinang, even though the distribution is highest in that state, only about half of the total *zakat* are distributed among the poor and needy in that state most probably because like Selangor and Kuala Lumpur, this is one of the most well off state in the economic sense. However, the cases in Pahang and also Perlis might require a closer analysis because there seem to be other explanations than the standard of living the residents in those states.

The issue of *zakat* distribution may create a negative perception in the society (mainly, *zakat* payers, recipients and others) concerning the management of *zakat* fund. Many stakeholders may not be satisfied with the distribution aspect of *zakat*, especially to the needy and the poor and the issue of undistributed *zakat*. This dissatisfaction could affect the confidence (trust) of the society, specifically the *zakat* payers. They may argue that if the *zakat* are distributed lawfully and fairly, the poverty problem in Malaysia should gradually be reduced, if not totally eliminated. The problem is there are still people who are in an extremely poor condition in Malaysia. Thus, *zakat* payers are keen to pay *zakat* through unofficial channels for instance, by searching for qualified *asnaf* themselves for their self-satisfaction.

CONCLUSION

This paper focuses on the distribution of *zakat* to two groups of *asnaf*; the poor and needy. Based on the discussion throughout the paper it is believed that there is still a lot to be done in order to fully utilize the resources from *zakat*. Although over the years the amount of *zakat* collection is increasing across the state, it is still unable to solve the problem of poverty. The major concern is the unreported amount of undistributed *zakat* collection by the Zakat Collection Centre (ZCC). According to the Melaka Council of Fatwa, the undistributed amount should be carried forward to the next year account and should be reported. However, the undistributed amount or balance carried forward from last year is not properly disclosed in the current year report of the *zakat* fund. On the other

extreme, there are also cases of excess distribution of *zakat* compared to the collection (as shown in Table 3) which require further explanation from ZCC.

Based on a study by Othman and Mohd Noor (2012), *zakat* has failed to reduce poverty due to various problems including inaccurate database on *asnaf*, bureaucracy, under-identification of potential *asnaf*, ignorance of *asnaf*, attitude of *amil* and geographical distance to *asnaf*. Further, these problems might also be attributable to the priority in which the ZCCs should allocate the distribution of *zakat*. As mentioned in the previous section, the priority of *zakat* should be given to the first four groups of *asnaf*—fakir, miskin, *amil* and *mualaf*. However, as implied from the distribution of *zakat*, the priority is not actually being given to these four groups. The priority is sometimes given under *fisabilillah*, which in reality is the allocation given for the development and renovation of mosques, schools and roads. Therefore, it is crucial for the *zakat* authorities to review the existing method and principles of *zakat* distribution. It is expected that from *zakat*, the *asnaf* of needy and poor groups would be able to free themselves from poverty and life's hardships.

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