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## **SOCIAL AND MANAGEMENT RESEARCH JOURNAL**

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# Governing Zakat as a Social Institution: The Malaysian Perspective

**Shawal Kaslam**

*Faculty of Administrative Science and Policy Studies  
Institut Kajian Zakat Malaysia (IKaZ)  
Universiti Teknologi MARA (UiTM), Malaysia  
Email: shawalk@melaka.uitm.edu.my*

## ABSTRACT

*Zakat is one of the five pillars of Islam and is an ibadah that should be performed by every individual Muslims. A person's iman is incomplete unless he has performed all the pillars of Islam and a person should not place less importance on any of the pillars. As the Quran says that, it is an obligation of every Muslim, man or woman to give a specific amount of their wealth (as neither ordinary charity nor voluntary alms-giving) – with certain conditions and requirements – to be given to certain categories of people as an 'equitable redistribution of wealth and income (Quran Surah 9: 71).<sup>1</sup> The fundamental principles of Zakat is that zakat is to be established in the fold of Muslim society in an organized manner and under the responsible supervision of the Muslim Government, or of a special Muslim supervisory body appointed by the said Government. The practical functioning of the institution of Zakat must be kept in the highest plane of integrity, courtesy, and loyalty to the Muslim Nation. In this sense, Zakat is more than a personal ibadah; it is also a social institution, which play a pivotal role in socio-economic well-being/affairs of the Muslim Ummah. Zakat has been functioning as an instrument of relieving poverty among the Muslim Ummah and keeping its sanity inspite of its present decadence. This paper examines the practice and implementation of Zakat as a social institution in Malaysia, and its governance in achieving the Muslim socio-economic welfare and well-being. For this analysis, the Selangor Zakat Authority (LZS-*

*MAIS) is selected to present an example of governing zakat as a social institution in Malaysia.*

**Keywords:** *Zakat, governance, social institution*

## **Introduction**

The concept of “*governance*” is not new. Simply put “*governance*” means: the process of decision-making and the process by which decisions are implemented. Corporate governance is essentially concerned with the rules governing the structure of the corporation and the exercise of power and control of the business of a corporation. The major principle of corporate governance is that it is the responsibility of the institution to ensure good corporate governance is practised. Good corporate governance requires that the institution must govern the corporation with full integrity and the management is accountable to the stakeholders of the corporation for achieving the corporate objectives, its conduct in regard to factors such as organizational ethics and the environment for example may have an impact on societal interests and thereby influence the reputation and long-term interests of the corporation. The corporation must be more transparent and disclose general information to explain to the public and stakeholders all the activities and performance. The objective of governance is to achieve accountability, integrity and transparency.

## **The Fundamental Law and Governance of Zakat**

Zakat, like the other pillars of Islam, is clearly set forth in the most authentic sources, viz., the Quran and the reliable Hadith as an important institution in Muslim ummah.<sup>2</sup> The main fundamental Quranic Principles relating to the law and institution of Zakat is that Zakat is a form of tax that a Muslim State may impose on its Muslim citizens. Zakat must be properly governed in full conformity with the Quranic principles and with due deference to the instructions given by the Prophet (SAW). The principles of law and governance of Zakat requires that the role of the State is to supervise and control the implementation of zakat in that particular State. The main responsibility of the State is to enforce observance of the Quranic Law of Zakat as directed by the verse 170 of Surah VII, and to watch over the smooth functioning of the collection

and distribution of Zakat fund. The State has the authority to modify these Zakat rules in matters of detail implementation and this must be always within the spirit of Quranic Precepts related the world of the thereafter. Zakat must be governed in the most proper manner according to the Syariah law and the state has the full responsibility and accountability to implement the law of zakat within its jurisdiction.<sup>3</sup>

There are two types of zakat in Islam: a flat fee imposed on each individual Muslim person, called *Zakat al-fitr*, and a tax on wealth, called *Zakat al-mal*. *Zakat al-fitr* refers to the obligation of every Muslim and dependents to contribute a certain amount of staple food or pay an equivalent monetary amount in the month of Ramadhan before Muslim festive season celebration known as *Led al-Fitr*. *Zakat al-mal* is levied only on Muslims whose taxable wealth exceeds a threshold called *nisab*. The *nisab* is calculated based on the condition of the wealth held for one year by the lunar calendar, and *nisab* is calculated at the end of each year. *Zakat al-mal* must be paid by an individual Muslim-owned wealth by virtue of its legitimate owner's profession of Islam.

The condition determining the responsibility for the payment of Zakat al-mal dues are based on three major factors:

1. The person subject to taxation for Zakat, man or woman, must be an avowed Muslim, legally of age.
2. The person subject to taxation for Zakat must be of sound mind, that is to say, fully capable of understanding the meaning of law and the nature of his/her duty to God and to his/her fellow-beings.
3. The person subject to taxation for Zakat must enjoy full freedom of action to dispose of his/her wealth.

The rules related payment of zakat has been explained in detail by the four leading Muslim jurists, Imam Shafie, Hambalie, Hanafie and Malikie. The recent book *Fiqh az Zakat* written by Yusof Al-Qardawi (1981) is one of the contemporary authentic reference for practising zakat in the Muslim State.

The establishment of the institution of Zakat for the purpose of collecting Zakat dues and distributing Zakat funds is another main fundamental principle of law and governance of Zakat. In conformity with the verse 103, Surah IX of the Quran, and with the Prophet's Instruction made known in the reliable Hadith, the Islamic Institution of Zakat is to be established in the fold of Muslim society in an organized manner and under the responsible supervision of the Muslim Government, or of a special Muslim supervisory body appointed by the said

Government. The practical functioning of the institution of Zakat must be kept in the highest plane of integrity, courtesy, and loyalty to the Muslim Nation. The institution of Zakat is governed by the Zakat-officials. All Zakat-officials must necessarily possess a thorough knowledge of the law of Zakat, and it is the duty of the Zakat-officials to honestly advise and assist the zakat-payers, in all matters related to fulfillment of their Zakat dues.

The other fundamental principle of law of Zakat that should be observed by the State is the beneficiaries of Zakat funds. The rules of determining of the beneficiaries of Zakat funds are clearly stated in the Quran (Surah at-Taubah: 60).<sup>4</sup> These rules are the general scheme for the distribution of Zakat funds, and it is the duty of the responsible Zakat-officials to be, at all times, fully aware of the persons under their jurisdiction, who are deserving of receiving Zakat assistance. For this reason, the zakat funds may never be used by the State for any purpose not specified. However, for the Muslim social welfare, the end zakat should be regarded as an instrument for improving social well-being.

The main objective of the law is to ensure zakat implementation meets the requirements of Syariah Islam and well managed. At the end, the full potential of Zakat as an Islamic instrument for achieving social welfare and well-being becomes a practical and significance means. In order to implement zakat properly, involvement of the State, the institution of Zakat and Zakat-officials is indispensable. On the other hand, the right of supervising the smooth functioning of the Institution of zakat, of collecting the zakat dues, and of distributing the zakat funds unquestionably was vested in the Muslim State (Zayas, 2003).

The fundamental principle of Zakat as a pillar of Islam and a religious obligation of every Muslim has been unanimously accepted upon by all the Muslim jurists and scholars. The payment of Zakat is based on worship to Allah SWT, and as an instrument to strengthen the spiritual function of Muslim ummah need to be defended and practiced, regardless of whether it is undertaken out of faith or as a result of it being institutionalized. However, if Zakat is enacted by the government of a country, then its citizens will be required to make such payment according to its laws. All Muslims citizen in the State are bound to fulfill the obligation, so that Islam is not neglected. If this is not undertaken, then the Ummah will experience its downfall, and most probably will not be able to emerge from it because it has cast aside the role of Zakat as a pillar of Islam. In this sense, zakat is not only a religious obligation, but more than that, it is a social institution that can be utilized to strengthen the Muslim Ummah

social development. It is a mechanism for the redistribution of income and wealth, so that every Muslim is guaranteed a fair standard of living.

The relationship between Zakat and the development of the Ummah is closely related. It is similar to the Malay proverb which describes the closeness of the flesh to the fingernail. Likewise in worship, Zakat is very closely linked to Prayer, another fundamental principle of Islam, described as another pillar of Islam.<sup>5</sup> The combination of both pillars of Islam is capable of stabilising our journey in life.

## **Development of Zakat Institution in Malaysia**

In the Malaysian contexts, Islam has been recognized as the official religion of the State. As stated in the Federal Constitution, Article 3 (1), it is clear that Islam is the religion of the Federation; but other religions may be practiced in peace and harmony in any part of the Federation.<sup>6</sup> Corresponding to this article, the item 1 of List II (State List) of Schedule 9 of the Federal Constitution it is provided, inter alia, that the power to enact Islamic laws includes the Zakat and Baitulmal or similar Islamic religious revenue vests to the jurisdiction of every State. The Sultan as Head of the State may acts in his discretion to appoint the State religious officials, and to determine the direction of the religious affairs in the particular State (Mohamed Suffian, 1978).<sup>7</sup> Therefore, the Sultan has a very important part on the issue of fatwa or rulings on the Muslim religion and law. He has the responsibility to ensure that Islamic law is fully implemented and practiced by the Muslim citizens in the State. In this sense, the main jurisdiction of the State relating to Islamic law is to establish a Syariah Enactment and to ensure the effective implementation of the enactment and to establish a proper institution to regulate the implementation of the Syariah Law.

The involvement of State in regulating Islamic law in Malaysia is a clear constitutional jurisdiction. The Constitution is the fundamental law of the nation but the Constitution does not restrict the jurisdiction of every State to be creative in managing the Islamic affairs of the State. Therefore, the State is fully authorized to establish an enactment to ensure the smooth functioning of Islamic practices in the state including the rules of Zakat and sustaining the right of supervising the smooth functioning of zakat in the State. In order to implement zakat properly, involvement by the State through the State Religious Council is indispensable and it is the jurisdiction of the State Religious Council to establish a proper system of zakat and



appoint zakat-officials to manage zakat. In the past, zakat was implemented in very traditional approach and the administration of zakat very much depends on Quranic Law and Hadith by strictly adopting the fundamental law and principles of zakat that established by *fuqaha*, especially by the jurists of the Shafii School of Law. Zakat collection and distribution of zakat funds was primarily under the jurisdiction of *Baitul-mal*. Zakat at that time was designated as a religious obligation and not connected with social obligation. The conventional responsibility of the zakat institution was to ensure zakat dues is collected and distributed according to the lawful beneficiaries. For this very reason, the scope of zakat is restricted and zakat funds may never be used for any other purpose. Understanding on the scope of zakat has improved and various initiatives to broaden the role of zakat institution have been the new agenda of many State governments.

## **The Initiatives to Institutionalize Zakat as a Social Institution**

Various initiatives have been taken by the government to ensure that zakat is practised and implemented in accordance with the Syariah Law, and meet the religious and social obligation. To broaden the implementation of zakat, the concept of Zakat as social institution and as an Islamic socio-economic instrument to improve the Muslims socio-economic welfare has been accepted. The first initiative to institutionalize zakat as a social institution is the establishment of a Zakat Collection and Distribution Unit, and the appointment of Zakat-officials at every State level to implement zakat rules and regulations. The Institutionalization of zakat is also practised through the implementation of an enactment, which is enacted by the State Religious Council to empower the Zakat-officials or body of enforcing zakat rules and regulations. Within the nation, each State may enact and enforce different enactment, which only is applied in that particular State. Therefore, across the nation, there are 13 different enactments of zakat rules and regulations.<sup>8</sup> Every State may also have their own initiatives and programs to ensure that Muslims Ummah fulfill their obligation of performing zakat and implementing zakat as an Islamic socio-economic instrument. In this sense, the practice and implementation of zakat as a social institution and economic instrument depends on the State political will and initiative in improving the Muslim socio-economic welfare and well-being. Generally, there is no standardization of managing

Zakat across the nation. The Constitutional requirements provide that each State has the jurisdiction to practise and implement different Zakat rules and regulations, as long as the enactment does not contradict any of the provision in the Constitution.

Since the implementation of Islamization Policy in 1985 and the Corporatization Policy in 1991, the government has accepted many views and ideas to implement a new approach of managing government agencies.<sup>9</sup> Following the implementation of these policies, by maintaining the fundamental law and principles of zakat as one of the pillars of Islam, the government has accepted the new scope of managing zakat institution. The very nature of zakat as a personal ibadah and religious obligation has been extended to include zakat as a social institution. As a social institution, zakat is recognized as Islam's social welfare scheme and economic instrument, especially in relieving the poverty among Muslim ummah.

The establishment of Zakat Center as an organised and professional body has been regarded as another necessary initiative to ensure the smooth functioning of zakat management. The government believes that the management of Zakat as a social institution very much depends on the management and its policy, credibility and accountability toward implementing it as a comprehensive zakat. The rationale of this initiative is to empower the zakat institution, and to ensure that zakat rules and regulations are effectively managed. The establishment of the Zakat Collection Center Wilayah Persekutuan Kuala Lumpur (PPZ-MAIWP) in January 1991 was the first test of this idea. Followed by the establishment of Pulau Pinang Zakat Management Center [PUZ-PP] in Jun 1994, Selangor Zakat Center (PZS-MAIS) in 1992, Negeri Sembilan Zakat Center (PZ-MAINS in September 1998, Pahang Zakat Center (PZ-MAIP) and Melaka Zakat Center (PZM) in 1996).<sup>10</sup> However, the idea of establishing Zakat Collection and Distribution Center as an organised and professional body has not been unanimously regarded as necessary by the various States in Malaysia. In fact, concerning the actual establishment of the professional body of the Institution of zakat, at present, only seven States are implementing the idea. The other six States (Kedah, Perlis, Kelantan, Terengganu, Perak and Johor) still maintain the conventional approach of managing Zakat. For example in the State of Kedah, zakat management is controlled by a Department of Zakat which is directly under the supervision of the Sultan. In other States, zakat management of the particular States are directly controlled by the Baitul-mal of the State Islamic Religious Council. Under the various enactments relating to zakat rules and regulations, the power to issue

*fatwa* is given to the Sultan, Mufti and the State Religious Officials. So, across the nation, each State may have different zakat rules and implementation.

At the Federal level, the Federal Government has no direct jurisdiction over Islamic law, however, for the purpose of coordinating and increasing the efficiency of the Islamic religious activities in all States across the nation, the Federal Government through the Conference of Rules and the National Fatwa Committee may take certain initiatives. In relation to zakat, the federal government has established a task force or department to study the administration, collection and distribution of *Zakat*, *Bait-ul-mal* and *Wakaf*. For this purpose, the Department of Wakaf, Zakat and Hajj was established by the Federal Government in 2005.<sup>11</sup> Before the establishment of this Department, the supervision of Zakat administration was under the Department of Islamic Religious Development (JAKIM). Through this department, the federal government may take certain initiatives to ensure the efficiency and effectiveness of zakat collection and distribution through out the country.

The practice to establish an organized zakat collection and distribution centre which professionally managed has been accepted as a new approach of governing zakat as a social institution in Malaysia. The fundamental principle of adopting this approach of governing zakat institution is to strengthen zakat collection and distribution by increasing the efficiency and effectiveness of its management and services, and the end benefits of zakat must go to ummah [*asnaf*] socio-economic status, especially the poor. To achieve this principle, the institution of zakat should practice best methods in governing collection and distribution of the zakat. The new governance of zakat in Malaysia has been practiced by several Professional Zakat Center based on the principles of corporate governance in the private sector (Shawal, 2003, 2004).

## **Zakat Collection in Malaysia**

The deployment of professional approach of governing zakat institution has contributed a significant increase in zakat collection. The collection of zakat in Malaysia, since the implementation of this approach has shown a steady increase. This increase is due to various initiatives taken by the government, especially the establishment of Zakat Collection Center, which practices a new dimension of zakat management approach. The appointment of zakat agents to collect zakat is also another contributor

for the increase. The total collection of zakat collected in 2001 was RM320,348,659 million, and it increased to RM671,095,888 million in 2006 (Chart 1).

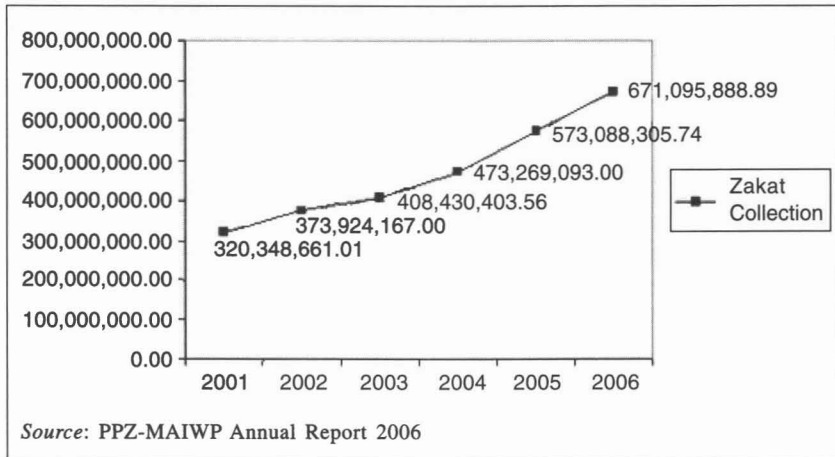


Chart 1: Zakat Collection in Malaysia 2001 – 2006

The increasingly encouraging performance of zakat collection and distribution is very meaningful to the efforts in strengthening the institution of zakat in Malaysia. Zakat is not only seen as an *ibadah* but also as a social institution. Actually, the way of governing zakat institution is a fundamental aspect of achieving this objective.

### Selangor Zakat Authority (LZS-MAIS): A Case Study

The Selangor Zakat Authority (LZS-MAIS) and Federal Territory Zakat Collection Center (PPZ-MAIWP) are among the leading examples of professional zakat institution in Malaysia. LZS-MAIS formally known as Selangor Zakat Center (PZS-MAIS) is one of the most active zakat collection and distribution center. LZS-MAIS has played very a significant and effective role in executing its duty, collecting and distributing zakat within the state of Selangor.

Zakat collected by the LZS-MAIS and PPZ-MAIWP are among the top in Malaysia where the collection percentage shows a rise year on year (Table 1). The total LZS-MAIS zakat collection in year 2005, RM133,156,386.00 was collected and the total collection had increased

Table 1: Zakat Collection in Malaysia by Types of Zakat 2005 – 2006

State	2006 [RM]			2005[RM]		
	Zakat Mal	Zakat Fitrah	Total	Zakat Mal	Zakat Fitrah	Total
W. Persekutuan	143,304,403.08	4,283,495.40	147,587,898.48	126,746,029.77	3,395,182.20	130,141,211.97
Selangor	149,943,584.69	9,892,668.10	159,836,252.79	123,782,912.00	9,338,917.00	133,121,829.00
Johor	46,478,287.95	8,254,654.50	54,732,942.45	41,166,136.48	8,191,017.55	49,357,154.03
Terengganu	38,936,751.94	3,933,824.48	42,870,576.42	36,301,165.95	4,064,425.01	40,365,590.96
Perak	28,933,330.38	4,915,149.00	33,848,479.38	22,680,408.78	4,863,126.70	27,543,535.48
Pulau Pinang	28,065,598.62	2,523,947.00	30,589,545.62	25,559,617.00	2,440,809.00	28,000,426.00
Pahang	31,721,733.59	4,250,000.00	35,971,733.59	26,991,593.00	4,040,640.57	31,032,233.57
Kelantan	30,727,316.35	4,914,221.40	35,641,537.75	24,641,490.46	4,731,061.00	29,372,551.46
Kedah	34,727,669.74	499,420.00	35,227,089.74	29,761,051.45	424,610.00	30,185,661.45
Negeri Sembilan	23,155,041.54	2,666,163.50	25,821,205.04	20,493,433.91	2,604,746.90	23,098,180.81
Melaka	17,314,704.06	2,149,949.20	19,464,653.26	15,695,466.47	1,996,627.50	17,692,093.97
Sarawak	17,749,105.61	2,799,217.20	20,548,322.81	12,486,438.30	2,812,861.74	15,299,300.04
Sabah	12,073,068.71	4,575,725.00	16,648,793.71	7,060,358.92	4,253,715.00	11,314,073.92
Perlis	11,052,393.66	794,748.00	11,847,141.66	5,837,157.58	727,307.50	6,564,465.08
<b>Total</b>	<b>614,182,989.92</b>	<b>56,453,182.78</b>	<b>670,636,172.70</b>	<b>519,203,260.07</b>	<b>53,885,047.67</b>	<b>573,088,307.74</b>

Source: PPZ-MAIWP Annual Report 2006

Table 2: Zakat Collection in Malaysia by State 2001 – 2006

Negeri	2001		2002		2003		2004		2005		2006	
	(RM)	%	(RM)	%	(RM)	%	(RM)	%	(RM)	%	(RM)	%
W. Persekutuan	72,886,035.71	22.8	84,533,227	22.6	96,380,801.25	23.6	110,631,584.04	23	130,141,209.97	22.7	147,587,898.48	22.0
Selangor	61,432,750.66	19.2	78,724,128	21.1	86,200,315.23	21.1	108,826,547.05	23	133,121,829.00	23.2	159,836,252.79	23.8
Johor	31,432,921.95	9.8	29,735,717	8.0	33,959,015.68	8.3	38,052,802.64	8	49,357,154.03	8.6	54,732,942.45	8.2
Terengganu	28,247,343.21	8.8	32,982,990	8.8	40,058,735.20	9.8	36,147,739.28	7.6	40,365,590.96	7.0	46,795,544.61	7.0
Perak	20,468,412.04	6.4	20,803,536	5.6	21,698,518.02	5.3	25,724,715.39	5.4	27,543,535.48	4.8	33,848,479.38	5.0
Pulau Pinang	17,550,949.00	5.5	20,101,578	5.4	21,317,975.00	5.2	23,288,019.00	4.9	28,000,426.00	4.9	30,589,545.62	4.6
Pahang	16,625,473.84	5.2	18,379,997	4.9	20,616,368.04	5.0	22,917,724.25	4.8	31,032,233.57	5.4	31,721,733.59	4.7
Kelantan	16,582,718.19	5.2	16,877,786	4.5	18,140,371.63	4.4	22,440,931.30	4.7	29,372,551.46	5.1	35,641,537.75	5.3
Negeri Sembilan	13,230,123.80	4.1	15,019,051	4.0	16,520,810.59	4.0	19,037,286.24	4	23,098,180.81	4.0	25,821,205.04	3.8
Kedah	12,487,629.33	3.9	18,275,109	4.9	18,559,387.21	4.5	22,205,222.54	4.7	30,185,661.45	5.3	35,227,089.74	5.2
Melaka	12,034,520.43	3.8	12,342,303	3.3	13,037,830.48	3.2	14,238,492.58	3	17,692,093.97	3.1	19,454,653.26	2.9
Sarawak	8,318,162.67	2.6	13,808,155	3.7	10,264,513.31	2.5	15,566,982.51	3.3	15,299,300.04	2.7	20,548,322.81	3.1
Sabah	5,331,116.09	1.7	6,183,540	1.7	5,102,537.00	1.2	7,784,937.74	1.6	11,314,073.92	2.0	16,648,793.71	2.5
Perlis	3,720,504.09	1.2	6,157,050	1.6	6,573,224.92	1.6	6,406,109.00	1.4	6,564,465.08	1.1	12,641,889.66	1.9
Jumlah	320,348,661.01	100.0	373,924,167	100.0	408,430,403.56	100.0	473,269,093	100	573,088,305.74	100.0	671,095,888.89	100.0

Source: PPZ-MAIWP Annual Report 2006

to RM159,934,013.00 in year 2006. Zakat income is the largest source of zakat collected (Table 3). The encouraging total amount of zakat collected in Selangor every year is the result of a new approach of governing zakat institution adopted and the implementation of various strategies to ensure better performance in zakat collection meeting the level of Selangor's citizen economy. The establishment of professional LZS-MAIS Board of Management is the main agenda of governing zakat institution. The Board of Management main responsibility is to monitor and evaluate the implementation of strategies, policies, management performance and corporate management plans. The Board of Management's responsibility is also to ensure that the corporation complies with all relevant laws, regulations and codes of best business practices. The LZS-MAIS Board of Management consisted of 8 members headed by the Chairman of Majlis Agama Islam Selangor (MAIS).

The deployment of professional zakat management approach has contributed to an improvement on zakat collection and distribution. LZS-MAIS has implemented aggressive plus innovative programmes in upholding zakat collection in Selangor. PZS has also adopted various comprehensive strategies to increase zakat collection. Among the strategies are:<sup>12</sup>

- Lectures and informative briefing
- Convention, seminar, colloquium, course and workshop
- Zakat Campaign
- Promotion and campaign through print and electronic media
- Meeting with politicians, professionals and corporate figures
- Zakat payment for subscribes/contributors like Tabung Haji, Bank Islam Malaysia Berhad, Bank Rakyat etc.
- Appointment of professional agents for zakat collection from agencies and institution like bank, institute of higher learning and others that makes it easier for the public to make payment for zakat.

As one of the leading zakat institution, LZS-MAIS is entrusted to implement zakat distribution as commended by Allah SWT. This includes making sure that zakat collected will be distributed in a systematic, fair and effective manner aligned with current situation. LZS-MAIS believes that a systematic, fair and effective zakat distribution will increase confidence to zakat payers especially and to the public in general on the role being played by LZS-MAIS in improving the well-being of the ummah in the state of Selangor and what is most important is LZS-MAIS is

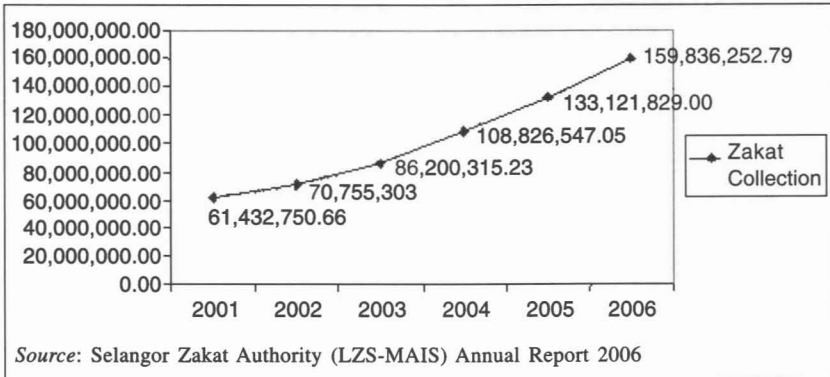


Chart 2: LZS-MAIS Zakat Collection 2001 – 2006

Table 3: LZS-MAIS Zakat Collection by Type of Zakat for Year 2005/2006

Types of Zakat	2005		2006	
	RM	%	RM	%
Income	66,464,345	49.915	81,183,195	51.987
Business	20,288,650	15.237	27,549,214	17.641
Savings	14,149,673	10.626	16,336,639	10.461
Shares	1,056,027	0.793	1,165,673	0.746
EPF	2,249,500	1.689	2,630,803	1.685
Gold	717,723	0.539	507,157	0.325
Silver	1,024	0.001	2,807	0.002
Wealth	17,215,497	12.929	15,030,871	9.625
Plantations	1,217,066	0.914	1,288,102	0.825
Fitrah	9,338,255	7.013	9,896,315	6.337
Qadha	455,002	0.342	565,068	0.362
Animal farm	3,624	0.003	5,739	0.004
<b>Total</b>	<b>133,156,386</b>	<b>100</b>	<b>159,934,013</b>	<b>100</b>

Source: Selangor Zakat Authority (LZS-MAIS) Annual Report 2006

always ensuring the asnaf who are receiving the zakat are truly eligible. Aligned with this role, LZS-MAIS has distributed a significant amount of zakat every year to each asnaf. In Table 4, It showed that in year 2005, RM114,170,658.14 and year 2006 RM146,905,517.00 was distributed to 8 asnaf accordingly, and more then 40 % of the amount went to asnaf fisabilillah.



Table 4: LZS Zakat Distribution by Asnaf for Year 2005/2006

Asnaf/Groups	2005		2006	
	Total [RM]	%	Total [RM]	%
<i>Fakir/Fuqara</i>	2,706,857.60	2.4	2,589,451.00	1.8
<i>Poor/Masaqin</i>	41,265,977.97	36.1	38,524,997.00	26.2
<i>Amil</i>	16,916,679.38	14.8	19,739,056.00	13.4
<i>Muallaf/Converts</i>	6,447,002.32	5.6	7,650,887.00	5.2
<i>Fisabilillah</i>	38,833,684.90	34.0	66,915,368.00	45.5
<i>Gharimin</i>	7,508,956.71	6.6	9,999,254.00	6.8
<i>Ibnu Sabil</i>	374,978.00	0.3	445,736.00	0.3
<i>Riqab</i>	116,521.26	0.1	1,040,768.00	0.7
<b>Total</b>	<b>114,170,658.14</b>	<b>100</b>	<b>146,905,517.00</b>	<b>100</b>

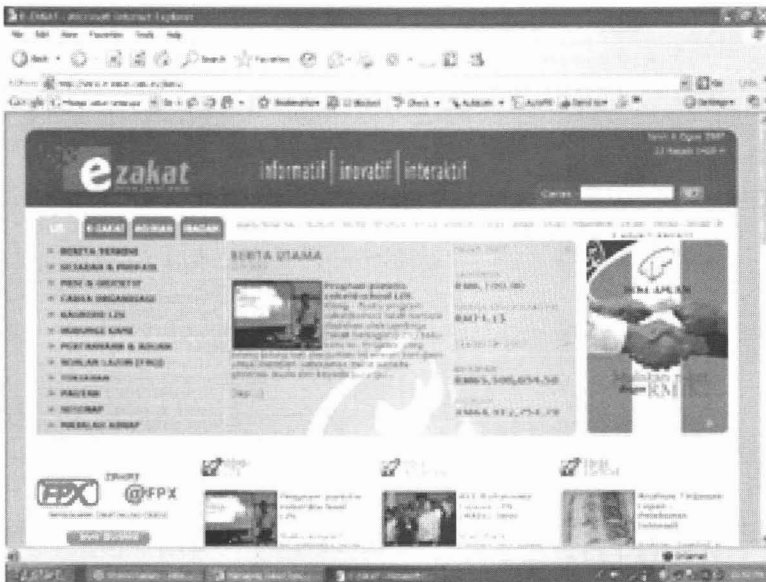
Source: Selangor Zakat Authority (LZS-MAIS) Annual Report 2006

Implementing an effective collection and distribution of the zakat has been the prime initiative in governing zakat institution in Selangor as well as in other states. LZS-MAIS has taken various measures to ensure the agenda of zakat as a Muslim social and economic institution is realized. Its performance is not measured only on collection per se. But the most important thing is the achievement on solving the social and economic problems faced by the Muslim community, especially in relieving naked poverty among the Muslim Ummah. The amount of zakat distributed to the *asnaf* should complement the amount of zakat collected. For this reason, various programmes have been implemented. Zakat distribution that has been carried out by LZS-MAIS in a comprehensive manner not only covers material things like domestic help, monthly food stock, schooling accessories and others but also on aspects of human development including education, by creating programmes which are directed towards academic excellence for children of the poor, Social Development Programmes and Economic Development Programme. Through these programmes, LZS-MAIS agenda is to produce those people of any *asnaf* category that could climb out of poverty and who will also fulfill the requirements of the soul and become a *rabbani* person.

Improving the transparency and disclosure of the LZS-MAIS has been the other agenda of the institution. The initiative which has been taken by the LZS-MAIS is to report the activities and inform the public about the performance of LZS-MAIS. For this initiative, LZS-MAIS has published at least two documents, the monthly Bulletin *Asnaf* and Annual LZS-MAIS Report which have been the main media of informing the



Buletin Asnaf LZS-MAIS



Website LAS-MAIS  
<http://www.e-zakat.com.my/baru/>

public and to explain to the interested parties how much zakat was collected and to which asnaf zakat was distributed and become the recipient of zakat fund. LZS-MAIS has also developed a web site (<http://www.e-zakat.com.my/baru>) as an interactive on-line media to enable the public access to some of the general information and services, especially the on-line zakat payment (e-zakat).

The publication of Annual Report and website has widened the scope of LZS-MAIS media to disclose the related information and at the same time, improve the accountability of the institution. In this sense, a general "Information disclosure to the stakeholders" is another major principle of good corporate governance.

## **Conclusion**

The governance of zakat institution in Malaysia is basically determined by the strong political will of the government in making zakat one of the fiscal policy element supporting prime economic expansion and as an important factor in the Islamic economy and financial system. In this particular aspect, zakat is accepted as an alternative to complement the present economic system. The Muslim community in Malaysia generally recognise and respect the existence, the role and the importance of the zakat institution as part of Islamic financial institutions. The governance of zakat institution in Malaysia, the effective methods of collection and distribution, and the ways of handling the implementation of zakat are the determinant factors for the future Muslim community. It is the obligation and responsibility of the government, zakat administrators and the Muslim ummah, to ensure the proper implementation of rules governing zakat as a social institution.

## **Endnotes**

- <sup>1</sup> Surah At-Taubah: 71 (al-Quran and Translation by Yusof Ali) "The believers, men and women, are protectors one of another: They enjoy what is just, and forbid what is Evil: They observe regular prayers, practice regular charity, and obey Allah and His Messenger. On them will Allah pour His mercy: for Allah is Exalted In power, wise".
- <sup>2</sup> In the Quran, the word Zakat referring to one generic term applicable to all ordinary compulsory contributions which an Islamic State levies on its Muslim inhabitants (S. A. Siddiqi 1948, Public Finance in Islam. Lahore).

- <sup>3</sup> The concept governance is defined by the UNDP as the exercise of economic, political and administrative authority to manage the affairs of a nation through the interplay between the state, private sector and what is termed as civil society.
- <sup>4</sup> Al-Quran Surah At-Taubah: 60 (al-Quran and Translation by Yusof Ali) “Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those In bondage and In debt; In the cause of Allah. and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom”.
- <sup>5</sup> The link between Zakat and Prayer is clearly stated in the Quran. It shows the importance of these ibadah as the pillars of Islam, which every Muslim is bound to fulfill.
- <sup>6</sup> Federal Constitution of Malaysia was established in 1957 to enhance the establishment of Federation of Malaya which consists of 11 State, and now 13 states. The State government under the constitution is subordinate to the Federal Government and given semi-autonomous jurisdictions.
- <sup>7</sup> Refer Ahmad Ibrahim (1978) *The Position of Islam in the Constitution of Malaysia in The Constitution of Malaysia its Development: 1957-1977*, Oxford University Press, Kuala Lumpur.
- <sup>8</sup> Malaysia consists of 13 state and 1 Federal Territory. Under the Constitution each state may has it own enactment relating to the Syariah law and Its administration.
- <sup>9</sup> The Islamization Policy was introduced in 1991 to broaden the enhancement of Islamic practices within the government and its administration.
- <sup>10</sup> However the idea of establishing Zakat Collection Centre as an Institution of zakat in Malaysia does not become the standard practice of all States.
- <sup>11</sup> The establishment of Department of Wakaf, Zakat and Hajj was officially launched by Datuk Dr. Abdullah Mohd Zin, The Minister in the Prime Minister Department, in Feb. 24, 2005. The main vision and objective of the department is to facilitate the implementation of zakat, wakaf and hajj through out the states.
- <sup>12</sup> The detail strategies of strengthening zakat collection can be accessed in LZS-MAIS Annual Report, which is published every year as part of LZS-MAIS corporate information initiative.

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