

Decentralization in Malaysia's Zakat Organizations: A Comparison of Zakat Collection Achievements

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ABSTRACT

The federal constitution defines Malaysia as a constitutional monarchy. The division of powers between the federal and state governments in the two lists has been explained by referencing the Federal Constitution's Ninth Schedule. The federal government's State List-II (aka the Federal List) gives significant control over various Muslim practices, such as Zakat, and Malay tradition, to the states. So, therefore, it falls under the jurisdiction of the states to administer Zakat. There are state-run Zakat management organizations where decentralization has been implemented. This study aims to find out if decentralized Zakat management, based on the findings of five Malaysian states: Johor, Perak, Selangor, Penang, and the Federal Territory, has a significant impact on overall Zakat collection in the country. This study is a qualitative study, which uses data from documented sources and interviews. A significant benefit of decentralizing Zakat collection efforts is that those efforts are more likely to produce better results. Collecting Zakat using advanced channels provides a benefit in terms of various aspects of the collection system, and this represents a new stage in Zakat collection when compared to economic data.

Keywords: Religion, Welfare Economics, Decentralization, Zakat Management

INTRODUCTION

Zakat is one of Islam's five pillars. Every Muslim must be aware of the Zakat laws and conditions. Understanding Zakat is critical for Muslims, and the Qur'an and Sunnah make this point clear explicitly. It is also vital to gain an understanding of the conditions, who is required to pay and what is required to be paid, and who is eligible to receive Zakat. Zakat's linguistic definition is "growth, increase, purity, and development." When applied to a person, it means to develop or improve. Additionally, it can refer to mercy, purification, and kindness.

Shari'ah refers to Zakat as the predetermined portion of wealth prescribed by Allah to be distributed among deserving categories according to (asnaf). As a result, Zakat refers to a blessing, a purifier, and betterment (Muhammad Zulfiqar, 2014). Zakat is mentioned numerous times in the Noble Qur'an,

including 27 times in conjunction with the word of prayer. Among them are the following (meaning):

"And establish prayer and give Zakat, and whatever good you put forward for yourselves - you will find it with Allah. Indeed, Allah of what you do, is Seeing." (Al-Baqarah [2]: 110)

Zakat is one of the obligations upon which Muslims have unanimous agreement. Whoever willfully disavows the Zakat obligation becomes an infidel, even if he pays Zakat. This is because they disobeyed Allah's command, as well as the Prophet Muhammad SAW's command. He should repent, and if he does not, scholars believe he may be sentenced as an apostate. When someone violates their obligations, they become of those who must be fought against unless they convert to Islam (Azman et al., 2012). Numerous warnings and threats have been issued to

those who refuse to pay Zakat. Among the Word of God are the following:

“O you who have believed, indeed many of the scholars and the monks devour the wealth of people unjustly and avert [them] from the way of Allah. And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment. The Day when it will be heated in the fire of Hell and seared therewith will be their foreheads, their flanks, and their backs, [it will be said], “This is what you hoarded for yourselves, so taste what you used to hoard.” (Al-Tawbah [9]: 34-35)

The effectiveness of Zakat institutions is a major concern in the modern world. The Zakat management system needs to be improved or strengthened, according to Ab Rahman, Alias, and Syed Omar (2012), in order to address the issue of inefficiency, particularly in the collection element. To make sure that the management of Zakat funds is on the proper track, the public has consistently brought up concerns about ineffectiveness of Zakat collection. Thus, this study aims to find out whether decentralized Zakat management, based on the findings of five Malaysian states: Johor, Perak, Selangor, Penang, and the Federal Territory, has a significant impact on overall Zakat collection in the country or not.

ZAKAT MANAGEMENT IN MALAYSIA

Islamic Ruling in History of Malaysia

Malaysia is a constitutional monarchy comprised of thirteen states and three federal territories. The country's origins predated the Malay Sultanate and were colonized in the 18th century by the British Empire. Colonization continued until the country gained independence.

Malaysia was originally known as the Land of Malaya. It was composed of 11 states that are geographically distinct from one another. In 1948, these states formed the Federation known as the ‘Federation of Malaya,’ and on August 31, 1957, the Federation of Malaya achieved independence from the British Empire.

One of the fundamental verdicts of Malaya's independence was the establishment of a central government that would exercise control over state members. Ministers must be drawn from among the indigenous people, and the authority of all states with Malay rulers must be guaranteed. In 1963, the Federation of Malaya merged with Sabah, Sarawak, and Singapore to form the Federation of Malaya. Thus, the Federation of Malaya became the Federation of Malaysia. Singapore, however, withdrew from Malaysia in 1965, leaving Malaysia with 13 states. According to Article 1 (2) of the Malaysian Constitution following the 1965 amendments, 13 states are referred to as federal states: Johor, Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Pulau Pinang, Perak, Perlis, Sabah, Sarawak, Selangor, and Terengganu. Article 1(4), on the other hand, defined the Federal Territory of Kuala Lumpur, Putrajaya, and Labuan as a federal government territory.

Malaysia is, in general, a constitutional monarchy. That system or set of principles of governance is based on Malaysia's Constitution. The constitution is divided into 15 sections, with Article 183 defining the critical points of organizing a strong central government, the constitutional state's strong powers, and the Malay rulers' position as constitutional monarchs (Joseph M. Fernando, 2002). By referencing the Federal Constitution's Ninth Schedule, the division of powers between the federal and state governments in the two lists has been clarified. The federal government's List I (Federal) has concentrated significant

power in areas such as defense and security, law and civil procedure, criminal and administrative justice, transportation, and education. While in List II (State List), additional items such as authority over land, museums, waterways and drainage, Islam (including Zakat), and Malay custom become part of the states' jurisdiction (Zaini Nasohah, 2004).

The States in Charge of Zakat Management

Malaysia gained independence in 1957, and the constitution was amended to incorporate existing law (Abdul Aziz Bari, 2005). As a federal state, the constitution allocates legislative and administrative authority to federal and state authorities. In Islam, the state government is responsible for the division of power. This is a continuation of the status quo administration prior to the constitution's recognition of independence (Abdul Aziz Bari, 2005). While Article 3 (1) establishes Islam's position at the Federal level, as follows:

“Islam is the Federation's religion, but other religions may be practiced in peace and harmony in any part of the Federation.”

While Islam has been recognized as the Federation's religion, this does not mean that the federal government has authority over religious administration. Additionally, the Federal Constitution establishes the King or Sultan as the Head of the Islamic religion, while the Yang di-Pertuan Agong serves as the Head of Religion for all states without a King or Sultan. Meanwhile, the State Islamic Religious Council (SIRC) reports to the Head of Religion and serves as a state-level government body charged with establishing fundamental Islamic administration for the state (Kamil Md Idris, 2000).

The first SIRC in Malaya was founded in 1915 with the establishment of

the Islamic Religious and Malay Customs Council of Kelantan, followed by the Terengganu Commissioner of Religious Affairs in 1919, Perlis Islamic Religious Council in 1920, and Johor Islamic Religious Council in 1925, followed by Majlis Agama Islam Pahang in 1933, as well as the Selangor Department of Islamic Affairs and Iskandar Malaysia. These institutions are rated public bodies that serve as the state's administrators of Islamic affairs in their respective states (Auni Abdullah, 2005). SIRC institutions have been strengthened as a result of the Administration of Islamic Religious Affairs being enacted. They were in charge of all religious matters in states, including the collection and distribution of Zakat on the secular side of religious affairs. This is a critical function of the administrative SIRC.

Prior to the 1990s, the SIRC was the sole entity responsible for Zakat management. At that time, SIRC served as the state religion's chief executive and collected Zakat through manual or traditional methods. SIRC featured a very limited number of Zakat types, not nearly as many as it does now, and their primary focus is usually on Zakat Fitrah and Zakat on plants (Mustafa Abdul Rahman, 2013). However, beginning in the 1990s, SIRC began to make changes in order to implement decentralization of power through the establishment of a subsidiary with a corporate identity. It was initiated by the Federal Territory Islamic Religious Council (MAIWP), which institutionalized the duty of Zakat collection by establishing the Zakat Collection Centre (PPZ) as a specialized institution dedicated to Zakat collection and fully representative of all Zakat collection activities in the Federal Territory. This concept was later replicated and implemented in a number of additional states, including Selangor, Pulau Pinang, Pahang, and Melaka. After establishing Zakat institutions, and as evidenced by the success of Zakat collection and the expansion of payment channels, other

state's SIRC began establishing their own subsidiary corporate Zakat institutions.

Table 1. The corporatization of Zakat in Malaysia

<i>Num.</i>	<i>State (SIRC)</i>	<i>Subsidiary Corporate Zakat Institution</i>	<i>Year of establishment</i>
1	<i>Federal Territory</i>	Zakat Collection Centre (PPZ)	1991
2	<i>Selangor</i>	Selangor Zakat Centre (Currently Lembaga Zakat Selangor [LZS])	1994
3	<i>Pulau Pinang</i>	Pusat Urus Zakat Pulau Pinang (Currently Zakat Pulau Pinang [ZPP])	1994
4	<i>Pahang</i>	Pahang Zakat Collection Centre (PKZP)	1995
5	<i>Melaka</i>	Computerized Zakat Counter (Currently Pusat Zakat Melaka [PZM])	1996

Source: Web site of states zakat institutions

DECENTRALIZATION IN ZAKAT MANAGEMENT

As previously stated, matters relating to Islam's administration in Malaysia fall under the state's jurisdiction under the Ninth Schedule of the Malaysian Federal Constitution. Zakat is typically placed under the jurisdiction of the SIRC in each state and is backed up by Islamic administrative law.

The reality of Zakat management in Malaysia is that decentralization has been implemented in the organizational structure of Zakat management, particularly in states that have established subsidiaries. Not all states follow the same procedure, resulting in a diverse organizational structure for Zakat in Malaysia. In general, the organizational structure can be defined as the process by which an organization manages its resources and accomplishes tasks in order to maximize its returns or output. Additionally, the organizational structure is a formal communication pattern and coordination designed by management to resume the duties or responsibilities of individuals and groups (Mohamad Hasan, 2010). The organization's structure also bears a strong resemblance to the purpose for which it was founded. This is because the organizational structure serves as the foundation for implementing the vision and mission established.

In Malaysia, decentralization of Zakat management was popularly referred to as 'Zakat corporatization,' as it typically entails the establishment of subsidiaries that will administer certain aspects of corporate management (Sanep, Hairunnizam, and Adnan, 2006; Azman Ab Rahman et al., 2012; Suhaili, Nor Azzah and Nor Aini, 2013; Muhammad Syukri, 2014). While subsidiaries utilized the corporate culture to accomplish the organization's mission, all of its members were assigned functions and specific tasks. The corporate culture places importance on performance and results, excellent customer service, consistent and reliable services to satisfy customers, adaptability to change, accountability, an innovation mindset, and a respect for cultural creativity.

Muhammad Syukri Salleh (2014) explained that Zakat management has now received various positive achievements that are very encouraging but the achievements are said to have experienced at least two forms of weaknesses, one of which is the weakness in terms of organizational structure. Weaknesses in terms of organizational structure that occur in Zakat institutions, especially Zakat centers supervised by MAIN usually occur in two forms. First, in the true sense, Zakat centers, no matter whether they are professional institutions or departmental forms, are in fact not an independent

institution. Meaning these institutions have to be accountable to their respective MAINs, in accordance with the policies and regulations designed and agreed upon by MAIN. Second, there are structural constraints, where the smooth operation of the Zakat center is also hindered by two other problems namely professionalism versus traditionalism and the problem of centralization versus decentralization. The effect of conflict between management, professionalism and traditionalism often occurs in states where Zakat centers are only responsible for one type of task (especially collection). As a result, the efficiency and effectiveness between the collection and distribution of Zakat becomes unbalanced (Muhammad Syukri Salleh, 2014). Ataina Hidayati and Achmad Tohirin (2010) look at and compare the practices of centralization and decentralization of Zakat management in three countries namely Pakistan, Indonesia and Malaysia. The results of this study show that the centralization approach is better because Zakat should have a large (national) impact and not just in a small community.

Decentralization has been implemented in several Zakat management organizations in states. It was initiated by the Federal Territory in 1991 and implemented by the states of Selangor and Pulau Pinang in 1994. However, some states, such as Johor and Perak, continue to govern Zakat without following the decentralization process, while others that follow the decentralization process do not follow the same format. As a result, some states have divided their Zakat administrative structures into two distinct categories. For example, in the Federal Territory, the Zakat Collection Centre (PPZ) is responsible for collecting Zakat, while the Baitulmal (treasury) is responsible for distribution. Baitulmal (treasury) is a department within the Federal Territory of the Islamic Religious Council (MAIWP).

Meanwhile, other states, such as Selangor and Pulau Pinang, have established a subsidiary to handle both the collection and distribution of Zakat. This demonstrates that not all states share a common administrative structure. Thus, the administrative system of Zakat in Malaysia is divided into three components: i) direct Zakat management, ii) indirect Zakat management, and iii) dual-system management.

Structure 1: Direct Zakat Management

The direct management structure of Zakat is one in which the SIRC conducts Zakat operations directly to serve the Islamic community, without appointing any bodies as an intermediary. It is implemented by creating a unit or department and managing it internally. While the religious leader, as the supreme ruler in Islam, has executive authority, allowing him to participate directly in the decision-making process regarding the governance of Zakat in the states.

Structure 2: Indirect Zakat Management

Indirect Zakat management refers to the process of appointing other bodies to act on behalf of the SIRC in the collection and distribution of Zakat. Typically as a subsidiary, the established body will act as an intermediary between the community and SIRC, particularly in almost all Zakat matters. This structure has the advantage of providing additional space for the subsidiary's management to design and implement its Zakat-related duties, such as collection or distribution, while also minimizing regulatory oversight by the SIRC. Typically, this administrative structure of Zakat lowers the role of the religion's Head of State (King or Sultan) in terms of execution and direct involvement in Zakat management. However, this does not negate the ruler's role, as each subsidiary is still required to report to the higher authorities on Zakat

management’s accomplishments or developments.

Structure 3: Dual-System Management

Dual-system design for Zakat management structure refers to a system in which a portion of Zakat administration is delegated to other bodies (subsidiaries), while the remainder is administered directly by SIRC. Typically, a subsidiary is tasked with collecting Zakat, while the SIRC organizes distribution activities through the Baitulmal (treasury), which is an internal division of the SIRC. The Head of Religion in states that have adopted this structure is generally capable of determining the overall direction of the state’s Zakat and charity distribution.

RESEARCH METHODOLOGY

This study aims to find out if decentralized Zakat management, based on the findings of five Malaysian states: Johor, Perak, Selangor, Penang, and the Federal Territory, has a significant impact on overall Zakat collection in the country. This study uses two general research methodologies, namely data collection methods and data analysis methods. Through these two methods, secondary and primary data collection is done to form the concept and theory of decentralization of power and Zakat management. As a result of the concept of decentralization of power and Zakat management that has been formed, a field study was conducted to collect data related to the reality of the practice of decentralization of power in the management of income Zakat conducted

by MAIN and Zakat institutions. The data is then analyzed through a method that has been set to obtain conclusions from the study that has been done.

IMPACT OF DECENTRALIZATION ON ZAKAT COLLECTION SYSTEM

This study is concentrated on five Malaysian states: Johor, Perak, Selangor, Penang, and the Federal Territory. The selection of these states as the subject of study is adequate because it encompasses both decentralized states that have implemented decentralization policies and those that have not. Each state is undoubtedly chosen for a reason. The researcher chose Johor as the state with the highest income Zakat collection among non-decentralized states. In comparison, the state of Perak was chosen because it is the only one that has recognized the distinction between Zakat on income and Zakat on wealth. Selangor and Penang were also chosen due to their outstanding record of Zakat collection. The Federal Territory was chosen because it was frequently used as a model by other countries when introducing the Zakat policy in Malaysia. Zakat implementation requires a stable and dependable Zakat collection system. Certain things can be identified as components of the “Zakat collection system.” These elements include Zakat campaigning and promotion, Zakat payment channels and facilities, and Zakat collection achievement. Figure 1 summarizes the entire discussion in this section.

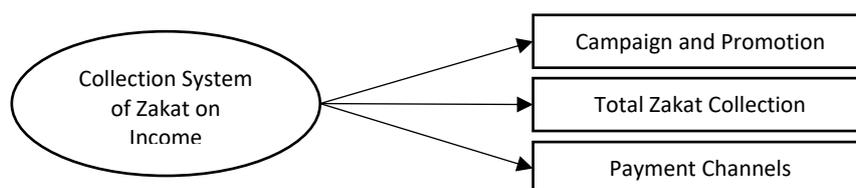


Figure 1. Collection System of Zakat on Income

Comparative Analysis on Campaign, Promotion and Payment Channels

SIRC's goal in administering Zakat is to ensure that its mission and stated objectives are met. To accomplish this, the management of which has been decentralized has been charged with the responsibility and trust of managing Zakat bodies or institutions in accordance with the best management practices. According to this, the management principle is subject to state laws and administrative rules when it comes to administering Zakat and carrying out the responsibilities entrusted to professionalism, efficiency, trustworthiness, and accountability while adhering to the SIRC's policies and interests.

The findings in this section have described the states' campaigning and promotion strategies. The findings indicated that each state makes an effort to ensure that the public has the broadest possible understanding of Zakat in their respective states. On the whole, the activities used to promote Zakat in the public include the use of print media (brochures and newspapers), electronic media (radio and television), lectures and briefings on Zakat and charity, the distribution of Zakat information pamphlets, the establishment of a reception information counter, and participation in employer exhibitions and events throughout their respective states.

Comparative Analysis on Zakat Payment Channels

Each state surveyed provided a variety of measures to increase Zakat collection. In general, Zakat payment channels, which

are typically prepared and used in each state, include salary deduction, cash, check, or card at a branch counter, payments through accredited agents, such as company, audit, and tax firms, and finally, payments through online payment channels such as internet banking portals or FPX through the Zakat institution itself. Additionally, several other features are unique to certain states, including payment via a smartphone app available in Selangor and the Federal Territory. Each is labeled E-Zakat (Selangor) and iZakat (Federal Territory). All three of these channels are the most modern electronic facilities available in the country's Zakat industry, which requires expertise in technology application development and management. Its existence is, of course, an attempt to ensure that the amount of Zakat collected continues to grow. Payment channels will have an effect on the extent to which Zakat is collected in those states. Additionally, the channel will have a greater likelihood of evading any Muslims who fail to pay Zakat.

Comparative Analysis on Total Zakat Collections

1) Solely on Zakat Collection

With the passage of time and the various efforts of SIRC and Zakat institutions to promote and campaign for Zakat, as well as the provision of various forms and Zakat payment channels, it is not an exaggeration to say that it has become a good cause for increasing Zakat collection. According to the findings of the states studied, the figure below summarizes the increase in Zakat collection.

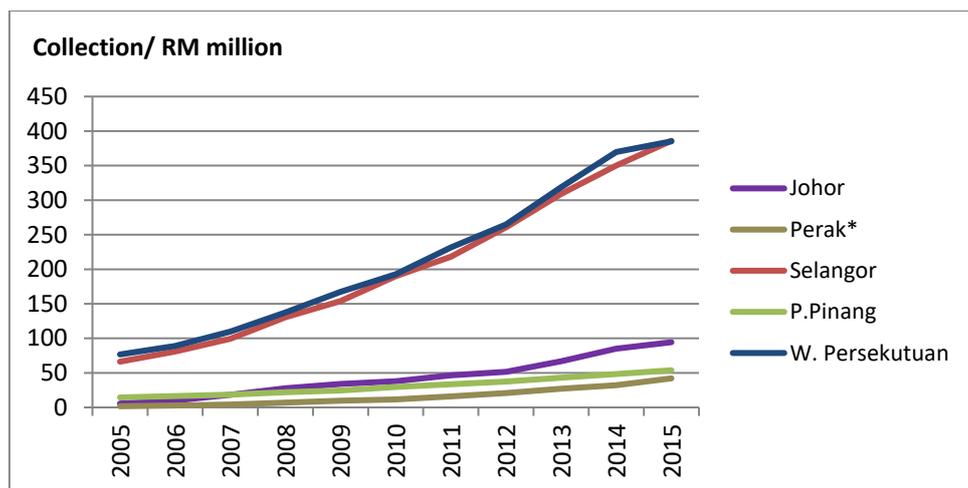


Figure 2. Curve on Zakat on Income Collection for Selected State

Source: Report of Zakat PPZ various issues.

The figure 2 depicts the annual increase in Zakat collection in states governed by the SIRC (centralization), such as Johor and Perak, or by Zakat institutions (decentralization), such as Selangor, Pulau Pinang, and Federal

Territory. It demonstrates that two states, Selangor and Federal Territory, have been seen as far ahead of the pack, followed by Johor, Penang, and Perak. Figure 3 illustrates the annual increase in Zakat collection from 2005 to 2015.

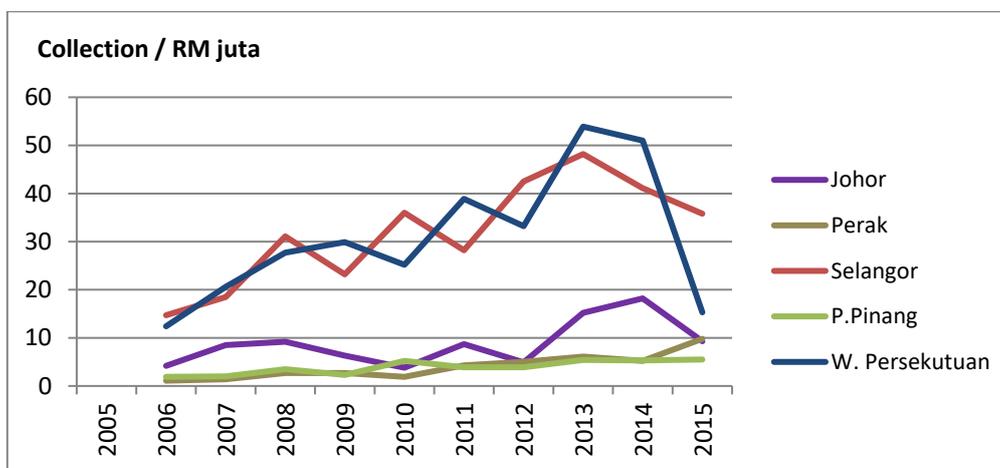


Figure 3. The improved curve on Zakat on Income Collection for the Selected States

Source: Report of Zakat PPZ various issues.

According to the study's findings, Figure 3 depicts an annual increment in the Zakat collection curve for each state. Both figures also demonstrate the dominance of two other states, namely LZS (Selangor) and PPZ (Federal Territory), despite the fact that the value of Zakat collection increases or decreases approximately by RM12-RM51 million. On the other hand, the Federal Territory and the state of Johor

experienced a dramatic upward and downward trend for several years. Johor's Zakat collection increased dramatically between 2012 and 2013, but then declined between 2014 and 2015. Perak's growth has also been slower over the last decade, except for 2014 to 2015, when it increased significantly by RM 9 million.

Overall, the survey indicates an increase in Zakat collection for each year, regardless of whether the state is decentralized or not. It is similar if we compare roughly by categories of governed states, such as direct Zakat management (Johor and Perak), indirect Zakat management (Selangor and Penang), or even a dual-system (Federal Territory), each of which shows an increase in Zakat collection each year. Although Selangor and the Federal Territory's state achieved a high collection rate in comparison to other states, this is not the case in Pulau Pinang. In comparison, Johor outperforms the two states that practice Zakat decentralization, ZPP, and NSZC. According to the analysis, the decentralization method has a negligible effect on Zakat collection and increment value. However, in order to determine and compare the level of Zakat collection with much more equitable levels, the analysis should be more detailed, taking into account the country's economic factors. From this point forward, the following subsection will analyze the issues further.

2) Comparison of State's Economic Data

Each data point should be examined more closely. This is vital to obtain an accurate picture of the Zakat collection in each state, as the collection is affected by the management system and local economic factors. Hence, the subsequent analysis will compare the states' percentage of Zakat collection to the state's Gross Domestic Product (GDP). Based on information from the table of 'Gross Domestic Product by State at Constant Price (2005 = 100), 2005 - 2013, Malaysia'; and table of 'Gross Domestic Product Table by State at Constant Price (2010 = 100), 2010 - 2015, Malaysia' (Source: Department of Statistics, Malaysia).

This study estimates the potential collection of income Zakat through the following formula and thus the contribution of zakat income compared to the state GDP is illustrated in Table 2.

$$\text{Potential Collection of Zakat Income} = \frac{\text{Average Gross Monthly Household Income}^a \times 12 \text{ months}^b \times \text{Total household}^c / 2^d \times \text{Percentage of average Malay ethnic income}^e \times \text{Zakat}^f (2.5\%)$$

- ^a Refer to the table of Average Monthly Gross Household Income by Ethnic Group, Strata and State, Malaysia, 1970-2014 in Appendix N.
- ^b To earn the average gross household income per year.
- ^c Total households refer to the table of Total Households by Strata and State, Malaysia, 2015 in Appendix N, and make the 2015 constant assumption for all years 2005 to 2015.
- ^d Divided by two (2) because the income is usually earned by two people per household.
- ^e Refer to the table of Average Monthly Gross Household Income by Ethnic Group, Strata and State, Malaysia, 1970-2014 in Appendix N

Table 2. Comparison of Percentage (%) Collection of Zakat on Income (CZ) and the Gross Domestic Product (GDP) by States selected for the Year 2005-2015

Year	Johor			Perak		
	% Portion CZ (state/country)	% GDP (state/country)	The difference B - A (%)	% Portion CZ (state/country)	% GDP (state/country)	The difference B - A (%)
	A	B		A	B	
2015	7.1	9.3	2.2	3.2	5.5	2.3
2014	7.0	9.3	2.3	2.7	5.4	2.7
2013	6.0	9.2	3.2	2.4	5.3	2.9
2012	5.7	9.2	3.5	2.3	5.3	3.0

Year	Johor			Perak		
	% Portion CZ (state/country)	% GDP (state/country)	The difference B - A (%)	% Portion CZ (state/country)	% GDP (state/country)	The difference B - A (%)
	A	B		A	B	
2011	5.5	9.1	3.6	1.9	5.2	3.3
2010	5.5	9.0	3.5	1.7	5.1	3.4
2009	6.0	8.8	2.8	1.7	5.2	3.5
2008	5.9	8.9	3.0	1.5	5.2	3.7
2007	5.1	9.0	3.9	1.2	5.1	3.9
2006	3.5	9.2	5.7	1.0	5.2	4.2
2005	2.4	9.2	6.8	0.7	5.1	4.4
Avg	5.4	9.1	3.7	1.8	5.2	3.4

Table 2. Comparison of Percentage (%) Collection of Zakat on Income (CZ) and the Gross Domestic Product (GDP) by States selected for the Year 2005-2015

Year	Selangor			Pulau Pinang		
	% Portion CZ (state / country)	% GDP (state / country) B	The difference B - A (%)	% Portion CZ (state / country)	% GDP (state / country) B	The difference B - A (%)
	A			A		
2015	29.2	22.6	-6.6	4.1	6.6	2.5
2014	28.8	22.4	-6.4	4.0	6.5	2.5
2013	27.7	23.7	-4.0	3.9	7.0	3.1
2012	28.7	23.5	-5.2	4.1	7.0	2.9
2011	25.8	23.1	-2.7	4.0	7.0	3.0
2010	27.3	23.0	-4.3	4.3	7.1	2.8
2009	27.2	22.1	-5.1	4.3	6.9	2.6
2008	27.7	21.9	-5.8	4.7	7.6	2.9
2007	27.6	21.0	-6.6	5.2	7.6	2.4
2006	28.3	20.7	-7.6	5.8	7.6	1.8
2005	27.9	20.8	-7.1	6.1	7.2	1.1
Avg	27.8	22.3	-5.6	4.6	7.1	2.5

Table 2. Comparison of Percentage (%) Collection of Zakat on Income (CZ) and the Gross Domestic Product (GDP) by States selected for the Year 2005-2015

Year	Federal Territory		
	% Portion CZ (state / country)	% GDP (state / country)	The difference B - A (%)
	A	B	
2015	29.1	20.3	-8.8
2014	30.4	20.5	-9.9
2013	28.5	20.7	-7.8
2012	29.1	20.7	-8.4
2011	27.4	20.6	-6.8
2010	27.7	20.7	-7.0
2009	29.6	21.0	-8.6
2008	29.2	20.9	-8.3
2007	30.5	21.5	-9.0
2006	31.1	21.6	-9.5
2005	32.3	22.1	-10.2
Avg.	29.5	21.0	-8.6

To make sense of the table above, this study averages the percentage (percent) difference between B and A for each state, with the smaller percentage

difference indicating that the state is closer to achieving maximum revenue Zakat. Johor and Perak (non-decentralized) had the highest average difference gap of 3.7

percent and 3.4 percent, respectively, according to the table above. Meanwhile, Selangor, Penang, and the Federal Territory (decentralized administrations) recorded lower percentages of lower gaps, at -5.6 percent, 2.5 percent, and -8.6 percent, respectively. Similarly, Selangor and the Federal Territories earned commendable collection achievements as a result of the narrow gap. Given this point, Pulau Pinang's Zakat collection is superior to the state of Johor, despite the fact that the two states' combined volume is significantly smaller, casting doubt on the previous analysis. This demonstrates, in aggregate, that states that practice decentralization of power perform significantly better at collecting income Zakat than states that do not practice decentralization of power. It is most clearly demonstrated in Selangor and the Federal Territory, but also in Penang, which has a higher percentage of Johor, despite its lower volume. This becomes clear only after examining and comparing economic data points, and at the same time, this analysis sheds light on the Zakat collection issue.

IMPACT OF DECENTRALIZATION: THE SUMMARY

According to previous analysis, decentralization confers numerous benefits on the state's Zakat management. This section summarizes the effect of decentralization of power on two factors: i) Zakat's operations and ii) Zakat's collection achievement.

Effects on Zakat's Operation

Zakat collection is a system that entails campaigning, promotion, and a channel for Zakat payment. Each state surveyed has taken various measures to encourage Muslims to pay Zakat. Each state has its own payroll system, which includes monthly salary deductions, cash payments, cheque or credit card payments at the

branch and portable counters, bank and postal counter payments, and payments through authorized agents and online channels. Each state has also promoted itself through printed and electronic media, speeches, seminars, and briefings, brochure distribution, the establishment of several information counters or exhibitions, and campaign activities with employers in their respective districts. The study discovered little difference in the presence of high-tech facilities such as the E-Zakat smartphone application developed by LZS (Selangor) and the most recent electronic facility, iZakat, developed by PPZ (Federal Territory). This new facility will require expertise in the construction and management of information technology applications (Mohd Faisal Ibrahim, 2016).

This research indicates that there is no significant relationship between decentralization and its effectiveness in assisting a Zakat institution in providing a more effective promotional method, except in one area, most notably in terms of providing high-tech payment channels. The findings demonstrate that states that operate a decentralized Zakat management system are more precedent in this area, as there are mounds of precedents. Then, they have been followed by other states. Thus, this study concludes that decentralizing Zakat management can significantly improve the Zakat implementation system, particularly from this perspective (Suhaili Sarif, Nor Azzah Kamri & Nor Aini Ali, 2013)

Effects on Achievement of Zakat Collection

Additionally, this study demonstrated that every state increased its total Zakat collection, regardless of whether the state is decentralized or not. Federal Territory and Selangor achieved the highest collection rates, but this is not the case in Pulau Pinang and Johor as they even outperform these two states in terms of decentralized Zakat management.

However, a low Zakat collection does not necessarily imply a poor performance by the state and vice versa. This is because the collection of Zakat is highly dependent on the state's current economic situation. According to the analysis, decentralization of Zakat management does advance Zakat collection. States that practice decentralization perform significantly better than those that do not. It is most evident in Selangor and the Federal Territory, but it is also established in Pulau Pinang. While centralized governance in Johor may claim a higher collection rate, the percentage of economic data collected indicates that performance should be superior to current levels.

CONCLUSION

Decentralization has been implemented in a number of state-run Zakat management organizations. It was implemented because, prior to this practice, the Zakat management system had several flaws. Among them are a lack of staff, an outdated Zakat collection system, unclear Zakat campaigning methods, and a lack of resources to facilitate Muslims' payment. As a result, Zakat distribution was unable to fulfill its mandate. Thus, the collection of Zakat was lower than expected. Therefore, the idea of establishing a subsidiary was sparked. This subsidiary would be responsible for maximizing resource utilization and Zakat collection. In general, the analysis established that decentralization of Zakat management organizations has several advantages over states that do not decentralize power, as demonstrated in Selangor, the Federal Territory, and Pulau Pinang, as opposed to Johor and Perak. The advantage is in various aspects of the collection system, particularly the provision of high-tech channels, and represents a step forward in Zakat collection when compared to economic data.

As a result of the study, there are some suggestions that need to be taken into account by the parties involved or individuals who want to conduct further research on Zakat management. This proposal aims to improve the system available in MAIN and Zakat institutions (subsidiaries) on the role of the implementation of income Zakat collection and so on. This proposal is not meant to negate the efforts that have been undertaken by the parties involved in the past. But, it is only a suggestion for improvement in the efforts to be made in the future. In general, this study suggests that all MAINs in Malaysia carry out the decentralization of Zakat power in their respective states. However, further proposals will be submitted to two groups, namely; MAIN as the main administrator of religion in the state, and a researcher who needs to constantly conduct studies and research from time to time. MAIN which has not established a Zakat institution should consider the proposal to set up a subsidiary to conduct Zakat collection. This is to further smooth the management of Zakat, especially from the aspect of Zakat collection. An alternative for MAIN which is not yet ready to set up a Zakat subsidiary is to create a new rule or method that can reduce the bureaucracy of Zakat collection, administration and management. The regulation shall be made with the approval of DYMM Sultan and gazette as provided in the State Islamic Religious Administration Enactment. MAIN who has established Zakat subsidiaries must continue to fully support any program or activity carried out by their subsidiaries in upholding the Zakat system in the state and the country in general.

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