

THE SHIFTS IN *ZAKĀH* MANAGEMENT PRACTICES IN MALAYSIA: WHAT HAS ACTUALLY BEEN HAPPENING?

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ABSTRACT

Zakāh management in Malaysia has evolved during the era of globalization. Zakāh, which had previously been under the administration of the Religious Councils, is now being managed more professionally through corporatized bodies. While from the aspect of zakāh collection the zakatable wealth has been expanded, its mechanism has also been improved through the use of current technology for the convenience of zakāh payers. As for the distribution of the fund, the eight groups of recipients have been redefined to suit the current situation in which the disbursement scheme has now been diversified including consumption as well as capital allocation. Indeed, all of these shifts in the practice of Malaysian zakāh represent a broader meaning. Accordingly, this article tries to offer some explanation and delineate what is behind these changes.

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INTRODUCTION

Zakāh is one of the five pillars of Islam that must be performed by each and every Muslim who possesses wealth equal to or exceeding a prescribed minimum limit (*niṣāb*). In this case, they must give away a portion of it, at the specified rate, to designated categories of people. Literally, *zakāh* means blessing, growth, prosperity, purification and goodness.⁴ It refers to the compulsory giving of a certain part of an individual's wealth to eligible groups of people seeking the pleasure of Allah. The payment of *zakāh* is also considered as the purification of wealth in which the benefit of the duty could be later felt by the society through the economic and social betterment of the latter.⁵

From the definition, it is understood that the mission of *zakāh* could be at both the individual and societal levels. As for the former, *zakāh* aims to purify the wealth and the soul of an individual Muslim. In this particular aspect, according to Garaudy (1981), *zakāh* is a mechanism to achieve internal justice, where the obligation of *zakāh* eliminates greediness and jealousy within society and nurtures empathy, sensibility and generosity.⁶ At the societal level, *zakāh* intends to establish the economic balance and produce a fair, responsible and united society. As stated by Boisard (1980), *zakāh* is not a mercy, but an obligation of the wealthy and a right of the poor, and the establishment of a relationship between them. The flow of the fund from the surplus unit (the rich) to the deficit unit (the poor) avoids the wealth from merely circulating among the rich and allows it to be shared by the poor as well.⁷ Therefore, the condition of the poor will be improved towards a prosperous and balanced society. In brief, *zakāh*, which is obligatory in Islam, apart from spiritual purification,

⁴ Ibn Manzūr, *Lisān al-'Arab*, j. 60 (Beirut: Dār Sadir, 1956), 357; Yūsuf al-Qaradāwī, *Fiqh al-Zakāh: Dirāsah Muqāranah Li Aḥkāmihā wa Falsafatihā Fī Ḍaw' al-Qur'ān wa al-Sunnah*, j. 1 (Beirut: Mu'assasah al-Risālah, 1977), 37.

⁵ Muṣṭafā Sa'īd al-Khin, *al-Fiqh al-Manhājī 'Alā Madhhab al-Imām al-Shāfi'i* (Damsyik: Dār al-'Ulūm al-Insāniyah, 1996), 271; Yūsuf al-Qaradāwī, *Fiqh al-Zakāh*, 37-38; Wabbah al-Zuhaylī, *al-Fiqh al-Islāmī wa Adillatuhu*, j. 2 (Damsyik: Dār al-Fikr, 1989), 730.

⁶ Garaudy, Roger, *Promesses de l'islam* (Paris: Editions de Seuil, 1981), 32.

⁷ Boisard, Masrceel A., *Humanisme Dalam Islam*, trans. H.M. Rasjidi (Jakarta: Bulan Bintang, 1980), 64-65.

has an obvious mission in society as a social security mechanism to develop balanced economic growth via the redistribution of wealth in society and also development.⁸

There are two main types of *zakāh* – *zakāh al-fiṭr* (compulsory for every individual) and *zakāh* on wealth. *Zakāh al-fiṭr* is obligatory for every individual Muslim to pay at the end or during the month of *Ramaḍān*. The rate of *zakāh al-fiṭr* is one *gantang Baghdad*, a measuring scale, which is equivalent to 2.7 kg of rice or any other similar staple food.⁹ As for the *zakāh* on wealth, it contains among others, *zakāh* on gold and silver, *zakāh* on business, *zakāh* on cattle, *zakāh* on cereal/agriculture, *zakāh* on *ma'ādin* (minerals), *zakāh* on *rikāz* (treasure), *zakāh* on income, *zakāh* on savings, *zakāh* on shares and *zakāh* on Employees Provident Fund (EPF). In general, any type of wealth could be subjected to *zakāh* when it meets certain conditions that exceed a minimum level (*niṣab*) and are held for a period of one year (*ḥawl*).¹⁰

In general, this article will discuss *zakāh* and its management in Malaysia. It will become clear that there have been many changes and developments in the *zakāh* institution, which have been widely perceived as an improvement and commitment from the society and the Government. Therefore, this article will try to offer an alternative explanation about what transformations have taken place with the institution. Through this article, it will be understood that the role of *zakāh* has expanded over time to fulfil the religious duty.

This article can be divided into several parts, covering the historical background of *zakāh* management in Malaysia, some observable changes in its management and a deliberation on what has actually happened to the institution. In sum, it will show that the changes that have occurred could symbolize the expansion of Islam into the modern context of the Malaysian fabric.

⁸ Patmawati Ibrahim, “Pembangunan Ekonomi Melalui Agihan Zakat: Tinjauan Empirik”, *Jurnal Syariah*, (16)(2)(2008), 225-226; Kahf, M., “The Principle of Socioeconomic Justice in The Contemporary Fiqh of Zakah”, *IQTISAD Journal of Islamic Economics*. (1)(1)(1999), 24-44.

⁹ Jabatan Kemajuan Islam Malaysia, *Panduan Zakat di Malaysia* (Kuala Lumpur: Jabatan Kemajuan Islam Malaysia, 2001).

¹⁰ Although all these wealth have been included in the category of wealth subject to *zakāh*, but not everyone agrees that all of the wealth is subject to *zakāh*. For further discussion, please refer Nor Aini Ali, “Analisis Perakaunan Zakat di Malaysia”, *Jurnal Syariah*, (14)(2)(2006), 35.

HISTORICAL BACKGROUND OF ZAKĀH MANAGEMENT IN MALAYSIA

Management is the art or science of directing, conducting and administering the work of others to achieve defined objectives.¹¹ It could also refer to a person or group of persons who exercise managerial functions, which consist of directing and controlling a group of people for the purpose of achieving designated goals. The process also includes the coordination of several resources, such as workforce, finance, technology, as well as natural resources. As far as *zakāh* management – as a term used in this article – is concerned, it could be understood as the activities relating to administering the collection and distribution of the fund.¹²

Prior to the twentieth-century, *zakāh* in Malaysia was a personal religious duty. Muslims paid the fund to anyone who was deemed to be entitled to receive the payment among them. A more organized collection of the fund only commenced in the early twentieth-century, after the establishment of the State Religious Councils, which then became the main bodies entrusted to collect and disburse the *zakāh* fund. In 1916, the first Religious Council was established in the State of Kelantan, which, since then, has been empowered to manage *zakāh*.¹³ The measure began a chain reaction whereby other States gradually put the collection and distribution mechanism into the hands of their respective Religious Councils. A similar system was adopted in Perlis in 1930, Johor in 1934, Kedah in 1936, Selangor in 1952, Pahang in 1956, Penang and Malacca in 1959 and the Federal Territory in 1974.¹⁴ The system of *zakāh* administration has been stipulated in the religious enactments of the States, which more or less resemble each other.¹⁵

¹¹ C. Johnson, *Dictionary of Management* (Kuala Lumpur: Golden Books Centre Sdn. Bhd., 1997).

¹² Abdul-Wahab, Mohamed *et al*, “Malaysia (A Case study of Zakah Management)” in *Institutional Framework of Zakah: Dimensions and Implications*, ed. el-Ashker & Sirajul Haq (IRTI/ IDB: Jeddah, 1995), 297-378.

¹³ Moshe Yegar, *Islam and Islamic Institutions in British Malaya* (Jerusalem: The Magnes Press, 1979), 217.

¹⁴ For further discussion about the history of the advent of zakat institution please refer: Ahmad Ibrahim, *Islamic Law in Malaya* (Singapore: Malaysian Sociological Research Institute Ltd, 1965), 335-349; Moshe Yegar, *Islam and Islamic Institutions in British Malaya*, 216-222; Azhar Mohd Nasir, “Development of the Secular and Religious Taxation System in Peninsular Malaysia”, Phd Thesis (University of Edinburgh, 1999), 207-252.

¹⁵ To name but a few – Pahang Administration of the Law of Religion of Islam

The general situation since the formation of the *zakāh* institution up to the end of the century (approximately the end of the 1980s) could be summarized as one of little revenue and ineffective disbursement. Although, administratively, Religious Councils were formed as authoritative bodies for governing the fund, and were supported with the necessary law, these measures seemed unable to convince people to pay *zakāh* to them.

As far as the collection was concerned, Religious Councils only focused on the most easily collected wealth. In this case, the *zakāh* on cereal, namely, unhusked rice and *zakāh al-ḥiṭr*, had been the source the councils sought out most.¹⁶ As the *al-ḥiṭr* is easy to collect, it seemed that the Religious Councils took the opportunity presented by the duty that the majority of people had never failed to perform.¹⁷ The *zakāh* on cereal (rice) was another type of wealth that caught the immediate attention of the Religious Councils as a resource to monitor. In the 1960s, approximately 85 per cent of Malays still resided in rural areas where rice cultivation was a main contributor to the rural economy, showing clearly that it was among the largest economic sectors associated with Muslims in the country.¹⁸ The collection of *zakāh* on cereal, however, indeed burdened the poor, especially the rice planters, who were among the groups recognized as being poor. The Government estimated that in 1970, 88 per cent of them were considered to be living below the poverty line.¹⁹

As to the overall practice of collection of the fund through the *zakāh* institution from its establishment until the end of the 1960s, it can be generally suggested that its achievement was rather unsatisfactory. For example, in 1957, Perak Religious Council only collected RM223,192.87, while in Negeri Sembilan, the State Religious Council in 1960 managed to collect RM54,233.

Enactment 1956, Selangor Administration of Muslim Law Enactment 1952, Kelantan Council of Religion and Malay Custom and Kathis Courts Enactment 1953. See Ahmad Ibrahim, *Islamic Law in Malaya*, 335-349.

¹⁶ In fact, Kedah only levied payment upon cereals and left *zakāh al-ḥiṭr* for the individual payers to disburse themselves. Ismail Muhd Salleh and Rogayah Ngah, "Distribution of Zakat Burden on Padi Producers in Malaysia", in *Some Aspects of the Economics of Zakah*, ed. M. Raqibuz Zaman (Plainfield: The Association of Muslim Scientists, 1980), 82.

¹⁷ Aidit bin Ghazali, "Zakat Administration in Malaysia" in *The Islamic Voluntary Sector in Southeast Asia*, ed. Mohamed Ariff (Singapore: Institute of Southeast Asian Studies, 1991), 95.

¹⁸ Mehden, Fred R. von der, "Communalism, Industrial Policy and Income Distribution in Malaysia", *Asian Survey* (15)(3)(1975), 248; Mehmet, Ozay, *Development in Malaysia: Poverty, Wealth and Trusteeship* (London: Croom Helm, 1986), 37.

¹⁹ Mehmet, *Development in Malaysia*, 37.

In both States this was mainly derived from *al-fiṭr* and rice.²⁰ Another State, Malacca, collected RM113,281 and RM109,035, respectively in 1961 and 1962; more than 90 per cent of which came from *al-fiṭr* contributions.²¹ Although the collection of the fund, to an extent, has increased over time, by the end of the 1980s the collection was still less than RM20 million nationally. These figures perhaps do not convey anything in themselves, but if compared to the collected sums discussed in later sections, we shall see how great the difference is and get a glimpse of the underdeveloped state of the institution of *zakāh* during this era.

Like the collection side, disbursement was also ineffective. The major portion of the collection went on the expenses of religious projects, such as the building of mosques and funding for Islamic schools carried out within the recipient categories of ‘*āmil* (*zakāh* agent) and *fī sabīl Allāh* (in the way of Allah).²² For instance, Kelantan, immediately following the enforcement of *zakāh* collection under its Religious Council in 1916, spent RM5,000 for mosque expenditure and other Religious Council spending, using only *zakāh* money.²³ A similar pattern could be seen in other States in later decades. In Perak, in 1957, RM113,426 out of RM336,619 went on the Religious Council’s administrative expenditure.²⁴ In addition, Malacca, in the early 1960s, used all the collected *zakāh* money, amounting to RM57,808, for the expansion of religious schools. In fact, in this State, some of the *zakāh* money was put into a special account called general administration spending (*pentadbiran am*), clearly reflecting how the money was mainly used.²⁵ Such a pattern of distribution continued until the 1980s.

As is apparent from the usual collection and disbursement procedures, generally, the Religious Councils did not have sufficient knowledge to administer and utilize the fund effectively. This situation, indirectly, suggests

²⁰ Azhar Mohd Nasir, “Development of the Secular and Religious Taxation System in Peninsular Malaysia”, 233, 226.

²¹ Azhar Mohd Nasir, “Development of the Secular and Religious Taxation System in Peninsular Malaysia”, 222.

²² Abdul Aziz bin Muhammad, *Zakat and Rural Development in Malaysia* (Kuala Lumpur: Berita Publishing, 1993), 124-125; Aidit bin Ghazali, “Zakat Administration in Malaysia”, 100; The Malaysian Administrative Modernisation and Management Planning Unit, *Laporan Kajian Penyusunan Semula Majlis/Pejabat Agama Islam Negeri-negeri*, (Kuala Lumpur: MAMPU, 1984), 38.

²³ Abdul Aziz bin Muhammad, *Zakat and Rural Development in Malaysia*, 124.

²⁴ Azhar Mohd Nasir, “Development of the Secular and Religious Taxation System in Peninsular Malaysia”, 233.

²⁵ Azhar Mohd Nasir, “Development of the Secular and Religious Taxation System in Peninsular Malaysia”, 222.

that the collection and disbursement of *zakāh* during this era was considered purely from the religious point of view, as a means of enabling Muslims to fulfil their obligations. Religious Councils, at that time, had yet to realize the potential of the fund beyond the religious perspective, especially in the economic sphere.

In addition, there were many weaknesses, such as the lack of reports and systematic records. Religious Councils seldom disclosed collection and disbursement statistics, or released periodic information as to what had been done with the *zakāh* money. This is actually not surprising, considering that the Religious Councils themselves did not have a clue as to how to administer the fund effectively. Once the money reached the council offices, it was normally kept in the council's account without being fully distributed.²⁶

In sum, in the era of the twentieth-century, *zakāh* witnessed the setting up of the collection and disbursement mechanism under the Religious Councils. The overall situation of the *zakāh* during this era could be considered to be underdeveloped. On the one hand, the basic understanding of Muslims, at the time, was of their religious obligation to pay the *zakāh*, and on the other, from the standpoint of the Religious Councils, the fund was necessary to help religious projects to function. Economic significance had not yet entered the perspective of either group.

SOME OBSERVABLE SHIFTS IN ZAKĀH MANAGEMENT

By the end of the twentieth-century (approximately from the early 1990s), obvious changes started to be observed in the *zakāh* practice in Malaysia, and, since then, there have been steady improvements in many aspects of *zakāh* management in the country. Discussions and writings, in many instances, however, have only explained what is new in the practice considering such changes were positive improvements. Indeed, it is not the intention of this article to reject such opinions. The only concern here is that the new practices, apart from the simple explanation of "improvement", could actually mean something bigger in the process.

As for further deliberation, in the next section, five issues will be addressed, namely, the issue of *zakāh* institution corporatization, the extension of *zakatable* wealth, introduction of new collection mechanism, and other issues relating to *zakāh* distribution, including the redefinition of the fund recipients and also the new way of fund distribution.

²⁶ James. C. Scott, "Resistance Without Protest and Without Organization: Peasant Opposition to the Islamic Zakat and the Christian Tithe", *Comparative Studies in Society and History*, (29)(3)(1987): 431.

Corporatization of *Zakāh* Management Institution

A concrete effort towards better management of *zakāh* commenced in 1991, when a new way of fund management, called corporatization, was introduced by the Islamic Religious Council of the Federal Territory (*Majlis Agama Islam Wilayah Persekutuan – MAIWP*). In this case, *MAIWP* endowed a mandate for *Syarikat Hartasuci Sdn. Bhd.*, a subsidiary company, which is fully owned by the former, to collect the fund.

Corporatization is a new model, which replaced the traditional personal *zakāh* collector (*‘amil*) and direct administration by the State Religious Councils. In this aspect, a corporate *zakāh* collector, being a company or organization, is responsible for a complete range of activities, such as planning, organizational set up, and hiring and training staff as well as being accountable for all cost and activities involved in *zakāh* collection.²⁷ To ensure that the organization can run viably, the company must collect a sufficiently large amount of *zakāh* on behalf of its parent organization (State Religious Council), and, in return, the company receives the collector’s portion at a maximum of one eighth of the total collected sum.²⁸

Proving to be effective, such an initiative was later followed by Selangor (1994), Penang (1994), Pahang (1996), Malacca (1996) and Negeri Sembilan (1998). Although the remaining States have yet to take a similar step, they have also benefited from the initiative through the exchange of ideas and information. As a result, the collection of *zakāh* has been consistently increased. For example, the fund collection in the Federal Territory has increased tremendously, from just RM7 million in 1990 to RM15 million in 1991. The collection of the corporatized company has since increased, such that, in 2009, the collected sum reached more than RM241 million.²⁹ Currently, the national collection of *zakāh* exceeds more than RM1 billion. The overall performance by the corporatized bodies is simplified in Table 1 below, which indicates their pre- and post-corporatization records.

²⁷ Pusat Pungutan Zakat MAIWP, *Laporan 2000-2001* (Kuala Lumpur: PPZ, 2003), 111.

²⁸ Pusat Pungutan Zakat MAIWP, *Laporan 2000-2001*, 111; Kikue Hamayotsu, “Islamisation, Patronage and Political Ascendancy: The Politics and Business of Islam in Malaysia” in *The State of Malaysia - Ethnicity, Equity and Reform*, ed. Edmund Terence Gomez (RoutledgeCurzon Malaysian Studies Series, 2004), 232-233.

²⁹ Pusat Pungutan Zakat MAIWP, *Laporan Tahunan*, various issues (Kuala Lumpur: PPZ).

Table 1: Corporatization in Malaysia and Pre- and Post-Corporatization Collection

State	Corporatization Date	Pre-Corporatization Collection (Mill RM)	Post-Corporatization Collection (Mill RM)
Federal Territory	December 1990	7 (1990)	15 (1991)
Penang	December 1994	4.05 (1994)	7.09 (1995)
Selangor	October 1995	13.1 (1995)	27.9 (1996)
Pahang	January 1996	7.16 (1996)	8.3 (1997)
Malacca	September 2000	8.43 (2000)	12.03 (2001)
Negeri Sembilan	January 2000	8.76(1999)	10.62 (2000)
Sabah	January 2007	16.65 (2006)	17.51 (2007)

Source: Ab Rahim Zakaria, “Pengurusan Zakat Kontemporari”, *Jurnal Pengurusan JWZH*, 1(1)(2007): 16; Sanep Ahmad et.al, “Penswastaaan Institusi Zakat dan Kesannya Terhadap Pembayaran Secara Formal Di Malaysia”, *International Journal of Management Studies*, 13(2)(2006), 179; Pusat Pungutan Zakat MAIWP, *Laporan Zakat*, various issues (Kuala Lumpur: PPZ).

Extension of Zakatable Wealth

As mentioned earlier, the *zakāh* collection practice prior to corporatization focused mainly on *zakāh al-fiṭr* and *zakāh* on cereal. In this context, the Religious Council merely followed what had been outlined by the classical scholars, especially Shafi’is, in which the majority of scholars are of the view that only *zakāh* on wealth, which is clearly stated in *naṣ*, should be collected. These include *zakāh* on money, gold and silver, agriculture, cattle, mineral mining and business activities. All of these are recognized as traditional sources of *zakāh*.

After the introduction of the new *zakāh* management in the 1990s, the zakatable *zakāh* wealth has been extended accordingly. The new bodies have focussed on various aspects of wealth, such as *zakāh* on personal professional income, *zakāh* on shares, bonds and Employees Provident Fund. Such kinds of wealth are considered lucrative in the sense that they are usually associated

with the richer segment of society. The statistics of *MAIWP zakāh* collection in 2009, for example, show that *zakāh* on income scored the highest collection (approximately 69 per cent), followed by *zakāh* on business activities and others.³⁰ This indicates the potential of *zakāh* on wealth, including *zakāh* on the income itself.³¹

Diversification of the *Zakāh* Collection Mechanism

The collection of *zakāh* through personal collectors appointed by Religious Councils (*‘āmil*) is considered a traditional mechanism. Since the 1990s, the means of *zakāh* collection in Malaysia, alongside the introduction of corporatized organization, has been diversified through the use of the current advances in technology. Among them are salary deduction, postal orders, Internet banking, phone banking, credit card, debit card, auto-teller machine, short messaging system, post office counters and selected bank counters.³²

All the facilities for *zakāh* payment mentioned above contributed to a comprehensive mechanism for *zakāh* collection. The diversity of this collection mechanism can be seen as providing a flexible and convenient alternative for Muslims in order to carry out their responsibility in paying *zakāh* on time.

Redefinition of *Aṣnāf*

Zakāh is disbursed to eight eligible recipients (*aṣnāf*) which are the *faqīr*; *miskīn*, *‘āmil*, *muallaf*, *riqāb*, *ghārimīn*, *fī sabīl Allāh* and *ibn sabīl*.³³ The definition of these eight *aṣnāf* are as follows:

1. *Faqīr* – Muslims who do not own property or work, or have jobs that are not lawful or no income, but do not reach 50 per cent of the *kifāyah* (sufficiency) limit to meet the need for one’s self or self-dependency.
2. *Miskīn* – Muslims who have *ḥalāl* wealth or income that can only accommodate 50 per cent of personal needs or family needs, but do not reach the limit of *kifāyah*.
3. *‘Āmil* – Muslims who are appointed by the Sultan to carry out the task of collecting and distributing *zakāh*.

³⁰ Pusat Pungutan Zakat MAIWP, <http://zakat.com.my>, March 2011.

³¹ In Malaysia, a thorough discussion concerning *zakah* on income was conducted. See Sanep Ahmad and Hairunnizam Wahid, “Sumber Zakat: Perluasan Terhadap Harta yang Diikhhtilaf”, *Jurnal Syariah*, (13)(1)(2005), 143.

³² Lembaga Zakat Selangor, <http://www.e-zakat.com.my/baru/>, March 2011; Pusat Pungutan Zakat MAIWP, <http://zakat.com.my>, March 2011.

³³ Surah al-Tawbah, 9:60.

4. *Muallaf* – Those who recently embraced Islam and for whom it is expected that it will strengthen their faith by granting *zakāh*.
5. *Riqāb* – Muslim slaves or someone who is tied under a single authority to prevent freedom itself.
6. *Ghārimīn* – Muslim debtors who do not have the resources to settle their debts as required by Islamic law on the basic needs for themselves and their family needs (if they do not have enough resources, or paid only part), or as guarantor or for solving the problems of the *ummah*.
7. *Fī sabīl Allāh* – Muslims who struggle and make an effort to uphold and elevate the religion of Allah.
8. *Ibn sabīl* – Muslims who are out of supplies on their journey or Muslims who have no supplies on the streets.

Although these eight *aṣnāf* remain, they have been redefined. For example, the Selangor Zakat Board (*LZS*) redefines *aṣnāf faqīr* as Muslims who have no wealth from a permissible job to fulfil their needs or their family needs including shelter, food, clothing, medicine and transport.³⁴ This definition demonstrates that the basic needs for *aṣnāf faqīr* are no longer limited to shelter, food and clothing, but also consist of medicine and transport. All of these elements are included in the *ḥad kifāyah*, a minimum basic necessity (similar to that of poverty line) for an individual, in which having less than that will enable the person to receive *zakāh* fund. The definition of *aṣnāf riqāb* (slave) has also been expanded to Muslims who are detained under a power that prohibits their freedom, such as drug addicts and prostitutes.³⁵ This redefinition is purposely to handle the needs and lifestyles of today's society. At the same time, *zakāh* collection can be justly distributed to those who are really in need.

New Distribution Approach for Poverty Eradication

The form of distribution to *aṣnāf* depends on their condition. Those who are not capable because of age, health problems or disability in the form of consumption include monthly financial assistance, monthly food assistance, medical assistance, rent assistance, school aid, and scholarships. For those who are productive, *zakāh* distribution can be done using the capital form to enable them to start a business, cattle farm or agriculture farm.

Capital form distribution has been implemented in many States, such as the Federal Territory, Selangor, Negeri Sembilan and Malacca. The Federal

³⁴ Lembaga Zakat Selangor, <http://www.e-zakat.com.my/baru/>, March 2011.

³⁵ Lembaga Zakat Selangor, <http://www.e-zakat.com.my/baru/>, March 2011.

Territory, for example, has distributed RM0.4 million of *zakāh* money for business assistance.³⁶ Selangor has also made a similar effort in which the State formed the Zakat Asnaf Group of Entrepreneurs (*Kumpulan Usahawan Asnaf Zakat*) in 2003 as a centre of business information resources and to help the recipients to set up their business.³⁷

Zakāh distribution in the capital form is also considered as an aspect of human capital development. In this case, *zakāh* distribution is channelled through educational programmes, courses and training relating to the development of the skills, person and mind of the *recipients*. LZS, for example, provides educational assistance and scholarship for the children of *aṣṇāf* and has conducted courses and training for improving the knowledge and skills of the *aṣṇāf* concerning business.³⁸ MAIWP has also distributed a certain amount of its *zakāh* money annually for institutions, such as PUSRAWI Hospital, Putra Hotel, Baitulmal Professional Institute, PUSRAWI Nursing College, *Darul Saadah*, *Darul Kifayah* and *Darul Hanan*, which play an important role in producing human capital to prosper this country.³⁹

This scenario shows that the current *zakāh* distribution form is not only for fulfilling the basic necessity of the *aṣṇāf* through consumption distribution, but also helps them to escape from poverty and improve their standard of living through capital distribution in the form of material capital or human capital. The disbursement is not merely to fulfil the duty but to make the recipient rich.

SOME EXPLANATION CONCERNING THE SHIFTS IN *ZAKĀH* MANAGEMENT

As discussed in the previous section, a number of improvements and changes have been introduced since the 1990s. From a broader perspective, there must be an explanation behind such changes. The following points elaborate what has actually been happening:

³⁶ Mohd Abd Wahab Fatoni Mohd Balwi & Adibah Hasanah Abd Halim, “Mobilisasi Zakat Dalam Pewujudan Usahawan Asnaf: Satu Tinjauan”, *Jurnal Syariah*, (16) (Special Edition)(2008), 580.

³⁷ Lembaga Zakat Selangor, <http://www.e-zakat.com.my/baru/>, March 2011.

³⁸ Lembaga Zakat Selangor, <http://www.e-zakat.com.my/baru/>, March 2011.

³⁹ Muhammad Yamin Ismail, “Pelaksanaan Agihan Zakat Majlis Agama Islam Wilayah Persekutuan (MAIWP)”, *Jurnal Pengurusan JAWHAR*, (1)(2)(2007), 51.

THE INCORPORATION OF *ZAKĀH* IN DEVELOPMENT

The contemporary discussion regarding *zakāh* is different from the medieval way in the sense that it is not merely from the legal perspective (*fiqh*) but also from a practical socio-economic viewpoint. Hence, *zakāh* is perceived as a dynamic institution to maintain the welfare of Muslim society referring to the ancient practice of the Prophet and the later Islamic governments. In this context, poverty eradication is the most important modern role of *zakāh* in which, as directly observed from the predetermined recipients of the fund, six out of eight groups are related to poverty, namely, poor (*faqīr*), needy (*miskīn*), slave (*riqāb*), debtor (*ghārimīn*), new converts (*muallaf*) and travellers (*ibn sabīl*).⁴⁰ In addition, from the payer's perspective, *zakāh* is a check mechanism against wealth hoarding or the stagnation of wealth, which Islam discourages as it does not bring any good for the society at large. Wealth should be invested or otherwise it is subject to the levy of *zakāh*. Hence, a high level of investment as a response to *zakāh*, will improve the economic wellbeing of society through the increase of employment and production.⁴¹ In sum, *zakāh* in many aspects has been proposed as a tool of modern development.

The traditional way of collecting and distributing *zakāh* in Malaysia, as mentioned earlier, has no impact on development. After the 1990s, however, the role of *zakāh* has been promoted alongside economic tools, such as poverty alleviation, income redistribution and investment. However, these new roles in economy are very much dependent on the availability and amount collected; thus, a structural reinstitution is much demanded. The commitment by the Government and society at large has significantly changed the image of *zakāh*, in as much as, to some extent, the collection and distribution mechanism has been improved.

The shift of practice also shows that *zakāh* is no longer treated as merely a religious duty but a development tool for the economy. With respect to corporatization, the element of business has been instilled to improve the collection of the fund in which the bodies run their activities as if managing a business entity. The new corporatized bodies have the power to determine their own activities to deal with fund collection. They have to advertise their services and also maintain a complete accounting system in order to attract more payers.

⁴⁰ Sheikh Mahmud Ahmad, *Economics of Islam* (Lahore: S.H Muhammad Ashraf, 1958), 88.

⁴¹ Afzalur Rahman, *Economic Doctrines of Islam* (Lahore: Islamic Publication, 1986), 247-248.

In addition, as previously mentioned, the new approach to fund collection has incorporated many ways of modern transaction, such as Internet banking and other financial facilities. Such new practices are actually associated with the business strategy where the *zakāh* bodies need to have a corporate link with many financial institutions. To accomplish such a strategy, it appears that the bodies have to think beyond religion, treating the fund as a type of secular taxation in which people must be persuaded rather than hoping they will willingly fulfil their own obligation.

As for the disbursement aspect, as also previously discussed, it seems that consideration is now being given to utilize *zakāh* as a poverty eradication mechanism. The current target is not merely relieving the poor temporarily but enriching them instead in the hope that the recipients will be transformed and become payers. Hence, the *zakāh* fund is now being used as an income generation initiative, a modern development approach to release the poor permanently. The redefinition of recipients and the introduction of new ways of disbursement alongside the economic perspective of poverty eradication is a step towards the translation of what has been imagined by the scholars.⁴²

In brief, looking at the shift in the current practice of *zakāh*, the role of duty has been expanded beyond the religious perspective. The fund has been managed in such a way as if it is managing a business entity. In the disbursement aspect, it seems that the newly corporatized bodies have to find the best way to persuade people to pay. The fund is also perceived as a tool in poverty eradication and economic development.

Renewal of *Zakāh* Institution through Redefinition of Religious Rulings

Along the way to enhance the institution, to a certain extent, some improvements and modifications contradict the traditional way of handling *zakāh* in which the new extended role poses a juristic challenge to the classical view.

Prior to corporatization, Religious Councils could be seen as strictly following the practice of the duty outlined in classical books. As mentioned earlier, the religious body only focused on traditional wealth, such as rice (local staple) and relied heavily on *'āmil*, traditionally, individuals obliged to collect the fund. In many ways, the distribution aspect could also be seen as just to complete the duty without thinking about its effectiveness to eradicate poverty, let alone to increase the economic condition of Muslims generally.

⁴² For further discussion, please refer Suhaili Sarif and Nor `Azzah Kamri, "A Theoretical Discussion of Zakat for Income Generation and Its Fiqh Issues", *Jurnal Syariah*, (17)(3)(2009): 457-500.

It is worth noting that the nature of *zakāh*, as discussed in modern writings, is a hybrid between the elements of ritual (*‘ibādah*) and revenue raising, considered as human affairs (*mu‘amalat*).⁴³ Hence, technically, *zakāh* can be seen as a monetary worship or divinely ordained act of worship with fiscal aspects.⁴⁴

In order for the *zakāh* to play its role in the economy, it demands tremendous and continuous striving from Muslim scholars to come up with creative and pragmatic solutions. Clarifying the meaning of pragmatic, it is suggested that the ideals and values be translated into reality in a practical and realistic way and not merely adjusting the values and ideals to suit the exigencies of the situation.⁴⁵

In referring to the shift in *zakāh* practice discussed earlier, it can be understood that such changes, to some extent, involve the redefinition of religious rulings. The *zakatable* wealth, for example, in order to improve the collection, has been expanded accordingly to include modern types of wealth, such as professional earnings, provident fund and business profit. On the new fund management, it appears that there is actually a change in the nature of the fund collector (*‘āmil*). In this respect, in order to ensure that the new mechanism could be implemented, rulings about the permissibility of *zakāh* payment to be surrendered to a company instead of only to a person have been produced.

In addition, the new practice of giving the fund to the poor is also another sign of the redefinition of *zakāh* rulings. With the better management and improved *zakāh* collection, the portion for poverty eradication can also be increased without neglecting the portion for religious activities. In this respect, the *zakāh* bodies have introduced many new programmes, which involve the distribution of the fund indirectly. In this case, the poor will not only receive in the form of tangible assets but also intangible benefits, such as education, training and monitoring services.

⁴³ Mek Wok Mahmud and Sayed Sikandar Shah, “The Use of Zakat Revenue in Islamic Financing: Jurisprudential Debate and Practical Feasibility”, *Studies in Islam and the Middle East*, (6)(1)(2009), 3.

⁴⁴ Mek Wok Mahmud and Sayed Sikandar Shah, “The Use of Zakat Revenue in Islamic Financing”, 2; I.A Imtiaz, “A Model System of Assessment, Collection and Distribution of Zakat”, *Journal of Islamic Banking and Finance*, (3)(2)(1985), 30.

⁴⁵ Khurshid Ahmad, “Economic Development in an Islamic Framework”, in *Studies in Islamic Economics*, ed. Khurshid Ahmad (Leicester: The Islamic Foundation, 1980), 177.

In addition, the introduction of *al-kifāyah* scheme is also a new ruling produced by the *zakāh* bodies in order to improve the disbursement system. With the introduction of these initiatives, it is hoped that the fund could be utilized effectively and help the recipients for permanent relief.

What can be understood from the improvements in these aspects is that *zakāh* has been renewed, in which, in many respects, the institution has been redefined to suit its new role and the aspiration of the modern Muslim.

Building Islamic Image of Government through *Zakāh*

Politics is another aspect that cannot be distanced from the development of *zakāh* in the country. In this context, the improvement of the fund management can be associated with the effort of the Government to develop its Islamic image. To understand this situation, a glance at the historical background prior to the era of *zakāh* improvement is necessary.

In the 1970s, the Government faced a political challenge from proliferating Islamic movements where the latter called for the rebuilding of an Islamic state. In respect of *zakāh*, the movements were of the view that the Government should uphold the duty for a national taxation policy to replace the secular one. Such a demand is indeed something that cannot possibly be fulfilled by the “secular” ruling government. However, it does not mean that the Government has totally rejected Islam. In fact, to counter the challenge, the Government then introduced its own version of Islam.

Since the 1980s, the Government has introduced a number of Islamization projects. The Government has promoted Islamic banking and financial institutions, establishing Islamic higher education institutions and many other Islamization initiatives. Although in many ways such initiatives have undeniably promoted and strengthened Islam, it is also considered as an effort to strengthen the Government politically while simultaneously developing its Islamic image.

The improvement of *zakāh* management through corporatization is indeed another programme backed by the Government. The corporatization was initiated by an ex-Chief Minister and supported by the Minister in the Prime Minister’s Department, with the Prime Minister himself launching the system. The system was later proven to be workable and many States have since followed suit.

It is worth noting that the structure of governance in Malaysia has located *zakāh* under the power of the States. Hence, the Federal Government has only limited power over this matter. Nevertheless, as we shall see, such a division of power does not hinder the Federal Government from helping to improve the

condition of *zakāh*. The Federal Government has organized many seminars, research and other initiatives to improve the institution of *zakāh*. By the end of the 1990s, the Federal Government had also tried to standardize the practice of *zakāh* nationally and collaborated with the Inland Revenue Department (department that manages the national taxation). However, this has not yet succeeded as not all States have approved the effort.

Over time, the Government has continued its efforts to introduce its version of Islam. In 2004, for example, the Government introduced another Islamic project called *Islam Hadhari*, promoting a progressive type of Islam. In respect of the *zakāh* administration, the Government established the Department of Awqaf, Zakat and Hajj (*Jabatan Wakaf, Zakat dan Haji – JAWHAR*) on 27 March 2004, a department whose role, among others, is to coordinate *zakāh* management among the states in Malaysia. According to its report, *JAWHAR* aims to establish an efficient, standardised and Shariah compliant management for the institution of *zakāh* in order to upgrade the socio-economic status of the *ummah*. Until today, among its activities are coordinating and standardizing the procedure of *zakāh* collection and distribution nationally, as well as organizing meetings and seminars regarding *zakāh* at the national level and representing the country in formal consultations and forums at the international level. Many books and journals have been published by the department and many seminars have been conducted.

In sum, the Malaysian Government has clearly exerted serious effort to improve the condition of *zakāh* in the country even though the division of power between the state and the federal presents a serious challenge to its efforts. The persistence of the Government in initiating something that is beyond its power proves that the Government is serious in this particular matter. In early 2000, the Government finally claimed that Malaysia is an Islamic state. From this development, it is easy to understand how important the improvement of *zakāh* is to the image of the Government as a whole. How could a country that calls itself an Islamic state neglect the matter of *zakāh*, which is one of the most important institutions in Islam? That is the reason why the Federal Government has been willing to go to great lengths to ensure that *zakāh* is functional and consistently monitored.

Building the Islamic image of the Government is not merely confined to the local setting. The Government has also, to an extent, promoted Malaysia as a centre to improve *zakāh* regionally. In 2006, the Government organized a Regional Congress for Zakat, inviting all neighbouring countries. During the seminar, the Prime Minister pledged RM1 million to a fund to set up a research centre for regional *zakāh*, so that *zakāh* in South East Asia could be studied and later be administratively enhanced. Indeed, it is the aspiration of the Government to see *zakāh* in Malaysia developed to a “world class” standard.

CONCLUSION

Since the 1990s, there have been many changes to *zakāh* practice in Malaysia. Some shifts, among others, that have frequently been addressed, are corporatization, extension of zakatable wealth, redefinition of recipients, new mechanism for the collection and disbursement for poverty eradication. While in many writings it has been perceived as an improvement to the institution, from a broader perspective, there are indeed some processes still in the making. This article has offered some explanation about what has happened behind such changes. In brief, at least three explanations could be offered, which include the expanding role of religious institutions in economic development, the renewal process of the institution of *zakāh* through redefinition of religious rulings and the process of building an Islamic image by the ruling Government. In sum, the analysis of the institution of *zakāh* in modern society is confined to the scope of religion, as undoubtedly, the institution will be directly influenced by the economic and political situation.

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