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

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ABSTRACT

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

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

INTRODUCTION

Poverty in Malaysia is a controversial economic issue. The definition of poverty and the level of poverty among Malaysians have been disputed, and government policies to address poverty through the New Economic Policy are challenged by a variety of political protests. Malaysia falls under the classification of an upper middle income economy. Based on the World Bank standard, the medium income countries should calculate ‘poverty line income (PLI)’ based on US$2 or RM6.40 per individual per day. The PLI is determined based on the expenditure pattern of the lowest 20 per cent of households (bottom 20%) for goods and services of non-food items such as clothing and footwear; residence (rent, loan instalment, etc.); utilities and fuel; transport; communications; tools and household equipment and various non-food goods and services for which the price level can be divided into states and strata. To date, the average household size in Malaysia is 4.3 persons (Mok et al. 2011). Thus, as Malaysia falls under the classification of a middle income economy, theoretically, a household of 4.3 people would then need approximately RM825.60 per month to not be declared as poor. However, the poverty thresholds based on the standard PLI may not reflect the actual cost of living in Malaysia. In other words, the amount of RM6.40 per day is clearly not sufficient to provide food, let alone clothing, health and shelter.

Further, in the mid-term review of the Ninth Malaysia Plan, it shows that the current economic scenario is very challenging. The crisis in the global financial markets and increase in oil and commodity prices could affect the growth and economic stability if not properly managed (Aziz 2008). Therefore, the Malaysian government is continuing to implement and strengthen not only its revenue enhancement programs, but also the social safety and welfare of its citizen to ensure that the quality of life of the Malaysian people are preserved or better
yet improved. Malaysia is among the countries that have pursued consistent macroeconomic policies, which resulted in a growth of 6 per cent or higher and increased public spending on education, health, and family planning (Hassan 2010). The continuous effort of the Malaysian government has helped in reducing the overall poverty rate from 5.7 per cent in 2004 to 3.6 per cent in 2007. However, due mainly to the economic imbalance in 2008 this poverty rate increased slightly to 3.8 per cent in 2009. Meanwhile, data on extreme poverty show that it reduced from 1.2 per cent to 0.7 per cent in 2007 and remained at 0.7 in 2009 (Economic Planning Unit 2013).

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

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

Looking at the various sources of zakat fund, it is feasible to suggest that authorities can use or have been using zakat collection to reduce the rate of poverty. Based on the report by the Federal Territory Religious Council of Islam (Laporan Zakat PPZ-MAIWP 2010), from the Zakat Collection Centre (ZCC), zakat collection has reached hundreds of millions of dollars each year. This amount is obviously large enough to assist the government in addressing the problem of poverty. Therefore, this study aims to assess whether the collection of zakat has actually helped to overcome the problem of poverty. This study contributes to the literature by offering a linkage between zakat and the rate of poverty. Although this issue has been discussed in previous studies (Bakar & Rashid 2010; Haron et al. 2010; Othman & Noor 2012; Rahman et al. 2012), this study expands the discussion by including the distributed and undistributed zakat collection and how this composition can affect the asnaf (group). Therefore, the discussion throughout this paper will provide insights into the question concerning whether zakat can help to improve the quality of life of the asnaf, specifically the poor and the needy.

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

**ZAKAT AND POVERTY ERADICATION**

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

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

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

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

The distribution of zakat is to fulfil six basic needs of the zakat recipients; food, clothing, shelter, education, health and transportation. Islam has clearly prescribed the eight groups of zakat recipients (asnaf) as stated in the Holy Quran (Surah At-Taubah 9: 60). The eight groups are the needy, the poor, the zakat collectors (amil), new converts to Islam (mualaf), slaves (ar-riqab), debtors (gharim), Muslims who strive in the way of Allah’s w.t (fisabilillah), and the wayfarers (ibnu sabil). The detailed explanations of these asnaf are given in Table 1.

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

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

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

(Hadith Rwahul Bukhari wa Muslim 2: 573)

It is clear that based on the Hadith, the major thrust of zakat is to help the poor and needy by increasing their income. With an increase in income, they should have enough to be able to live and cater for their basic needs. Thus, the system of zakat, if managed properly, should be able to help the poor and needy to overcome poverty. Therefore, this study proposes that to achieve the optimal objective of poverty eradication through zakat, the distribution of zakat itself has to be done in the most precise manner possible. This must be done by first matching the two groups of asnaf (faqir and masakin) that are qualified to receive zakat based on Islamic principle with the concept of hardcore poor and poor groups in the PLI.

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

TABLE 1. Description of eight asnaf who are entitled to received Zakat
still relatively low even at the US$2 per day standard once consideration is given on the rising cost of living nowadays, specifically in the context of Malaysia.

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

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

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

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

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

**ZAKAT COLLECTION AND DISTRIBUTION AND POVERTY TREND IN MALAYSIA**

Since 2005, both zakat collection and distribution in Peninsular Malaysia have recorded positive growth, and by 2008, the amount of zakat collection has exceeded one billion Ringgit (Laporan Zakat PPZ-MAUIP 2010). Over the years, the government has introduced various provisions to improve the zakat collection system. Unlike tax, zakat is not legally binding for the Muslim citizen in Malaysia from the perspective of civil laws. Therefore, payment of zakat in reality is more an act of religious (Islam) piety instead of an act driven by legal obligation. In other words, a Malaysian Muslim will not be charged under the legal system if he refuses or fails to pay zakat, but he will if he refuses or fails to pay his due tax. Therefore, it is only rational to assume that one way to encourage the Muslims to pay zakat is by making the zakat payment itself more convenient as well as rewarding (not just in the sense of the merits in the “eyes” of Allah swt, but also from the worldly incentives). For example, zakat has been included as part of the tax system through which a 1-to-1 tax deduction is given to those who pay zakat. That is, an income earner who has RM10,000 tax expenses due is only required to pay RM2,000 if he/she has already paid RM8,000 in zakat during the respective year. Similarly, the introduction of zakat instalments through monthly salary deduction method or “thohir scheme” has been introduced to encourage the public to pay zakat, and, consequently, this scheme has contributed to the increase in zakat collection. For instance, in 2010 ZCC collected zakat amounting to RM216.4 million from 78,594 payers, of which as much as RM220 million was contributed by the government sector and RM111 million from the private sector. This collection is an increase of 18 per cent compared to the collection in 2009. The contribution of
zakat collection from thohir scheme alone amounted to RM131 million compared to RM111 million for the same period in the previous year. To date the thohir scheme is the highest zakat payment channel compared to other channels such as direct payment through ZCC counters, or indirect payments through banks and post offices (Laporan Zakat PPE-MAIWP 2010).

Table 2 shows the total collection and the distribution of zakat over the period of 1999 to 2009. Based on the figure, it is clear that there is an increasing trend in the collection of zakat in Malaysia, where, for this period, the amount of zakat collection reached RM7,661 billion. The increasing trend suggests that Muslims public and organizations have become more aware of their obligation to pay zakat. The trend might also result from an increase in the income per capita among Muslims in this country. Based on the Malaysian Economic Indicators published by the Central Bank of Malaysia in 2011, the income per capita in Malaysia has gradually increased each year; in 2009, 2010 and 2011, the per capita income was reported at RM23,850, RM26,175 and RM29,094, respectively. Consistent with the trend in zakat collection, distribution of zakat also shows an increasing trend as reported in the ZCC websites. While both collection and distribution of zakat are showing an increasing trend, one could easily spot that there is undistributed balance of zakat. This is shown by the gap between the collection and distribution lines in Table 2. Above 20 per cent of Zakat is undistributed every year except for 2009. In 2010 the undistributed Zakat rose back to 14 per cent. Based on the observation of the ZCC report from 2007 to 2011 there is no information given on how the money from undistributed Zakat is utilised. Othman and Mohd Noor (2012) argue that the unexplainable of undistributed zakat will reflect the integrity of zakat centre in terms of zakat distribution to eligible asnaf, thus it affects future zakat collection.

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

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

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

Further, the use and distribution from the excess of the last year zakat collection can only be allowed for the eight eligible asnaf for which the amount distributed can be increased. Undistributed zakat should be considered as a severe ineffectiveness in the management of the zakat fund collection since there are still people under poverty. It will be efficient, when all groups of the eight specified asnaf have all their needs fulfilled as similar as reported during Caliph Umar Al-Khattab where it is difficult to distribute zakat due to the inexistence of eligible recipient. Otherwise, the undistributed amount of zakat could lead to the question as to why the zakat money is not distributed entirely. Further, it also raises questions concerning how this undistributed zakat is recorded and utilized. Hence, the Muslim community is seeking a clear explanation of the zakat fund management concerning this undistributed zakat.

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

As we can see in Table 3, Malaysia had reported a huge decline in the poverty rate from 2002 to 2007. However, the year 2009 reported an increase in the poverty rate of 0.2 per cent as compared to 2007, which could result from the global economic recession in 2008. The hard core poverty rate remains unchanged. However although the percentage has decline, the number of people specifically Muslim under poverty is increasing. Like most countries in the world, the Malaysian government has been relying on tax income to overcome the problem of poverty. However, the percentage of allocation for
this purpose is mostly not sufficient to totally solve the problem, most probably because the larger portion of the tax income is utilized for development purposes such as for construction of facilities and utilities. This is because unlike zakat which is specifically meant for the Muslim community, tax is meant for the benefits of the public, Muslims and non-Muslims alike. Therefore, it is only rational to assume that a proportion of the zakat collection is also being utilized to overcome the poverty problem, at least among Muslims which constitute one of the majority citizens in this country. In addition, this portion of zakat is distributed directly to the poor and needy to assist them with daily expenses.

### TABLE 3. Poverty rate in Malaysia from 2002 to 2009

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

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

Based on the visual inspection of Figure 1, as the zakat collection and distribution increases the poverty rate reduces. In general, this is a good indication that zakat contributes to the poverty eradication in this country because as more zakat are collected, the greater the sources to be distributed to the qualified asnaf, which include the poor and needy. However, as we can see in Table 3 although the collection and distribution of zakat is increasing the number of Muslims in poverty still increase as per recorded in 2009. Thus, it comes to the question on how far has this zakat distributed to the needy and poor has helped to overcome the poverty. For example, in Perlis, Kelantan and Sarawak, on average, each of the needy and poor zakat recipients received RM755, RM1,056 and RM468 per year, respectively (Laporan Zakat PPZ 2010). The question is whether the zakat funds received by the poor and needy recipients will significantly impact their standard of living. How could they survive with these limited financial zakat assistance and aids?

To analyse whether the amount of zakat received by the poor and needy contribute significantly to poverty eradication, this study divides the amount of zakat these two groups received by the amount of PLI of the poor. The study will use the PLI of RM825.60 per month per household as the standard to base the significant of zakat in helping to overcome poverty in Malaysia. The needy and poor groups in rich states such as Selangor received a maximum of RM500 per month in zakat financial aid per household (Lembaga Zakat Selangor 2011). This means...
zakat contributes almost 61% to overcome poverty of Muslims in Selangor. This is quite significant, but the role of zakat to overcome poverty in the poorer states is less significant. For instance, the needy and poor in the state of Sarawak received RM468 per year or RM39 per month. This is only 5% of PLI of RM825.60. This difference is significant and efforts by the respective zakat institutions to remedy this situation are important.

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

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

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

Was the problem in distribution really due to ineffective management of zakat or due to other reasons such as the poverty problems in the respective states itself. More specifically, could the low distribution in Pahang, Sarawak and Terengganu due to the fact that the insignificant poverty problems in these states?

Based on the percentage of distribution in Table 4, the variation of the zakat distributed yearly to the poor and needy for each state ranged from 17.13 per cent (in Pahang) to 81.91 per cent (in Kelantan) out of the total collection. Overall, Kelantan is most consistent in reporting the highest distribution of zakat for the poor and needy except in 2007, when Perak is the highest distributor. Perlis, Kuala Lumpur and Pahang were the lowest in 2007, 2008, 2009 and 2010, respectively. The overall performance by states in general, as displayed in Figure 3, consistently shows that Kelantan is the state which distributes the most to the poor and needy. The next highest distribution to the poor and needy is reported by Perak. Both Kelantan and Perak distribute much more than the overall average (43.13%), which are 67.55 per cent and 65.13 per cent, respectively. The case in Pulau Pinang implies a state-governed ZCC which effectively distribute its zakat to those who need and entitle to receive the monetary assistance because it is implemented in a relatively rich state. However, the zakat management in
### TABLE 4. Percentage of distribution to poor and needy recipients and the percentage of the total distribution for the year 2007-2010 relative to collection

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

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

**Sources:** Department of Zakat, Wakaf and Hajj (JAWHAR), Prime Minister Department, and Laporan Zakat PPZ-MAIWP (2007-2010)
Perak is more impressive because this state is not one of those rich states in this country. In short, it implies a concerned state-governed ZCC.

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

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

CONCLUSION

This paper focuses on the distribution of zakat to two groups of asnaf; the poor and needy. Based on the discussion throughout the paper it is believed that there is still a lot to be done in order to fully utilize the resources from zakat. Although over the years the amount of zakat collection is increasing across the state, it is still unable to solve the problem of poverty. The major concern is the unreported amount of undistributed zakat collection by the Zakat Collection Centre (ZCC). According to the Melaka Council of Fatwa, the undistributed amount should be carried forward to the next year account and should be reported. However, the undistributed amount or balance carried forward from last year is not properly disclosed in the current year report of the zakat fund. On the other extreme, there are also cases of excess distribution of zakat compared to the collection (as shown in Table 3) which require further explanation from ZCC.

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

REFERENCES


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