Productive Zakat Distribution by Zakat Institutions in Malaysia

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ABSTRACT

Zakat is one of the five pillars of Islam. The significance of zakat is largely attributed to its effectiveness as a distribution tool in the process of wealth circulation and social security. Therefore, effective management and distribution of zakat funds is very important to improve quality of life and alleviate poverty of recipients. Many initiatives that have been done by zakat institutions to distribute zakat fund to asnaf. The initiatives include distribution of zakat funds productively and unproductively. Unproductive method that has been used before is a direct distribution of fund to asnaf. Recently, zakat institution has transformed the unproductive method to productive method. One of productive method is giving zakat fund to potential asnaf in the form of business capital, business tools, business financing and working salary. Each state in Malaysia has its own strategies in the productive zakat distribution to eligible recipients. Therefore, this study describes the productive zakat distribution by zakat institutions in Malaysia. The data obtained from the website of each zakat institution, zakat report, the annual report and previous studies were analyzed using content analysis method to describe management of zakat productive in Malaysia.

Keywords: Zakat, Zakat Management, Zakat Distribution, Productive Zakat, Entrepreneurship

1.0 Introduction

Entrepreneurship is one of impact factors for the economic performance of a country. Some positive impact can be achieved through entrepreneurship are job creators, development of a strong country, and redistribution of wealth in a fair and equitable (Nor Aini Ali, Nor ‘Azzah Kamri, & Suhaili Sarif, 2003). Islam also encourages its followers to get involved in business. For example, Prophet Muhammad S.A.W is a model of successful entrepreneurs. His identity and characteristics of entrepreneurship such as fathonah (smart), amanah (trustworthy), siddiq (right) and Tabligh (conveying) entitles him to be in the position (Mohd. Faizal P.Rameli et.al, 2014; Mohd Adib Abd Muin, Azizi Abu Bakar, & Shuhairimi Abdullah, 2014; Saari et al., 2008).

Prophet S.A.W also encourages people to eradicate poverty with their own effort. As narrated by Anas bin Malik r.a with a long story between a man from the Ansar and Prophet
S.A.W. A man from Ansar came to the Prophet (saw) and begged from him. But Rasulullah S.A.W not directly gives him food, but help him to sell his items with two Dirham. Then, Rasulullah S.A.W ask the ansar to buy food with one of them and give it to family, and buy an axe with the other and earn money from the axe. This way is better than begging (Business Book, The Chapter of Muzabahad Sell, Hadith No. 2198, Ibn Majah, n.d.).

Therefore, it can be understood that a Muslim who is still able to work is encouraged to seek income from his own efforts. Zakat institution is introducing productive zakat distribution to ensure that recipients are able to gain income and achieve the objective of eliminating poverty among them. The recipient that involved, including the fuqara’ (poor), masakin (needy) and muallaf (Muslim convert) (Azman Ab Rahman, et.al, 2014). The main objective of this type of distribution is to ensure the recipient can be independent and eradicate poverty in the long run. This is because poverty cannot be eradicated only by providing assistance in terms of material and money only (Hairunnizam Wahid, Sanep Ahmad, & Radiah Abdul Kader, 2009; Raudha Md Ramli, Sanep Ahmad, Hairunnizam Wahid, 2011).

2.0 Literature Review

Malaysia’s economic performance currently experiencing uncertainty growth presents a challenge to society and the country. Households had to align their expenditure to the higher cost of living due to the implementation of Goods and Services Tax (GST), administrative price adjustments, subsidy rationalization and the depreciation in the Ringgit Malaysia (SMECorp, 2016). The increase in the price of goods based on the overall Consumer Price Index (CPI) in November 2016 rises to 116.9 compared to 114.8 in November 2015 (Department of Statistics Malaysia, 2016). Similarly, the Ringgit Malaysia (RM) was recorded depreciation of RM 1 equal to US Dollar (USD) 4.4995 on January 4, 2017 as compared to USD 4.3235 on January 4, 2016 (Bank Negara Malaysia, 2017).

Due to the rising cost of living, the number of recipients from poor and needy also increases. This is proven by the number of poor and needy families who are registered with Lembaga Zakat Selangor (LZS). According to the report from registered poor and needy recipients with LZS from 2012 to 2016 found an increase in the total of 26,069 recipients in 2012, 30,950 in 2013, 43,661 in 2014, 44,293 in 2015 and 45,876 in 2016 (LZS, 2017).

Although there was increased over the years in terms of collection and distribution (PPZ, 2015: 98; JAWHAR, n.d), it is not a guarantee of living standards improvement from recipient, especially the poor and needy. Many recipients still rely on zakat assistance and the number of recipients constantly rising. Therefore, an effort in changing the lives of recipients must be emphasized such as zakat assistance must be included with the guidance and advice (Mahyuddin Abu Bakar, 2012).

Among the efforts undertaken by zakat institution is introducing productive zakat assistance to recipients. Productive zakat must be managed properly and efficiently to ensure...

1. Efficiency and effectiveness of the asnaf entrepreneurship program
2. Zakat distribution and quality of life
3. Success factors in productive zakat distribution
4. Achievement, problem, strategy and monitoring in productive zakat distribution

Based on previous studies, the researchers focus a scope of the study to one zakat institution or several institutions of zakat. Although the method of this assistance is introduced since 1980th, but there is no detailed information about the methods of productive zakat distribution in Malaysia. Therefore, this study describes the productive zakat distribution in Malaysia. The data obtained from the website of each zakat institutions, zakat report, annual report and previous studies collected and analyzed using content analysis method.

3.0 Distribution of Productive Zakat by Zakat Institutions in Malaysia

In Malaysia, productive zakat distribution has started since 1980th. LZNK introduce Self Help Support (Bantuan Jaya Diri) in 1986 (Lukman Hakim Mahamod, 2011). LZS also take initiative to introduce capital assistance in 1994. According to the rules of the Selangor Zakat distribution system which was gazetted on 29 August 1994 describes the types of distribution for the poor, needy and muallaf consist of business capital assistance such as capital assistance, business place and skills (Jabatan Mufti Negeri Selangor, 1994). The following are among zakat institution that introduce zakat productive distribution:
<table>
<thead>
<tr>
<th>Zakat Institution</th>
<th>Year Begin</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majlis Agama Islam Wilayah Persekutuan (MAIWP)</td>
<td>1995</td>
<td>Allocation of business assistance scheme worth at RM 253.003</td>
</tr>
<tr>
<td>Zakat Pulau Pinang (ZPP)</td>
<td>Introduce 2004</td>
<td>Discontinue in 2010 and started back in 2013 with some improvements</td>
</tr>
<tr>
<td>Majlis Agama Islam Negeri Johor (MAINJ)</td>
<td>January 2008</td>
<td>MAINJ has set up a special unit of Asnaf Development Unit that the main function of this unit is to eradicate poverty of poor and needy in Johor by providing productive assistance, training and courses to recipients</td>
</tr>
<tr>
<td>Majlis Uγama Islam dan Adat Resam Melayu Pahang (MUIP)</td>
<td>2010</td>
<td>MUIP is creating Asnaf Development Unit. The function of this unit is to organize courses and skills training to beneficiaries, managing capital assistance and equipment to recipients, manage application to build a new home or rehabilitating homes</td>
</tr>
<tr>
<td>Majlis Agama Islam Negeri Sembilan (MAINS)</td>
<td>December 2013</td>
<td>MAINS establish an Asnaf Development Centre to increase revenues and creating entrepreneurs among Asnaf</td>
</tr>
</tbody>
</table>

Source: Azman Ab Rahman et al., 2014; Raudha Md Ramli, Sanep Ahmad, Hairunnizam Wahid, 2011; Rosbi Abd Rahman & Sanep Ahmad, 2011; MAINJ, n.d; MUIP, 2011: 72; Pusat Zakat Negeri Sembilan, n.d.

3.1 Types of Productive Zakat Distribution

Each zakat institution has its own strategies for distributing zakat funds to recipients. Productive zakat distribution can be divided into four categories: business capital assistance, business equipment assistance, business financing and wage of employment. These categories are explained below:

1. Business Capital Assistance

Most of zakat institutions distribute zakat productive in the form of capital. For example, LZS gives capital assistance for recipient among poor, needy and muallaf to start and grow a business under economic development program (Azman Ab Rahman et al., 2014). Same with MAIWP that provide business assistance under economic development activities for recipient...
among poor, needy and muallaf who has been started business in small-scale (MAIWP, 2014: 36-50).

LZNK also provide capital assistance at once with amount of RM 3000 and RM 4000 based on the business conducted (LZNK, 2015a). Pusat Zakat Sabah (PZS) also offers productive zakat assistance in the form of business capital assistance in groups, individual, retail, agriculture, livestock, fisheries, food, service, assistance to attend workshops or courses or seminars on entrepreneurship, premises rental aid, and incentives or encouragement of business (Pusat Zakat Sabah, 2015).

MAIPK is encouraging recipients to be independent and try to increase revenue by offering capital aid schemes. Among the targeted economic activities in this scheme are business, agriculture, fisheries, livestock, and services (MAIPK, 2013). MAIDAM also offer capital support (Maidam, n.d). While MAIK also make a capital distribution to recover the business to the poor and needy that have run the business (MAIK, n.d).

Majlis Agama Islam Wilayah Persekutuan (MAIWP) also provides capital assistant for business and deposit for taxi and school van or bus purchasing. Among other zakat institutions that provide capital assistance, including Zakat Pulau Pinang (ZPP), Majlis Agama Islam Negeri Johor (MAINJ), the Majlis Ugama Islam dan Istdiadat Melayu Pahang (MUIP), Majlis Agama Islam Negeri Sembilan (MAINS), Majlis Agama Islam Melaka (MAIM) and other.

2. Business Tools Assistance
In addition to providing business capital, LZNK also through Self Help Support (SHS) provide assistance in the form of business equipment. SHS is among assistant that high demand and application under poor recipients (LZNK, 2015a). MUIP also provide business equipment assistance to recipients (MUIP, 2011: 72). Among the equipment that has been provided by MUIP is oven, lawn mowers, chainsaws, flour mixer, boat engines, refrigerators, freezers, sewing machines and so on (MUIP, 2015). Other institutions such as MAINJ, ZPP, MAIWP, MAIPK and MUIS also offers business tools assistance to help recipients in need (Azman Ab Rahman et al., 2014; Pg Mohd Faezul Fikri Ag Omar, Hairunnizam Wahid, & Mohd Ali Mohd Nor, 2016).

3. Business Financing
Unlike other zakat institutions, MAIM provides productive assistance in the form of business loans. This is based on a Fatwa Negeri Melaka in 2011 authorizing a loan fund for the purpose of marriage and the zakat business. Thus, starting in 2008, new distribution such as business loan in the form of financial or equipment and Qardh al-Hasan loan introduced (Mohammad Azli Ab Rahman & Zaini Nasohah, n.d.).

4. Salary from Job Given
One of productive distribution pays salary or wages to recipients who have skills. For example LZNK has been establishing Asnaf Tailoring Centre on 1 August 2010 which aims to educate and improve skills among recipients, especially the poor and needy. The recipient will be given wage according to orders received (LZNK, 2015b).

Besides sewing, there are institutions that encourage asnaf to involve in agriculture and provide a monthly salary. MAIPs in collaboration with LZNK has established “Taman Desa Asnaf” project in 2012. The project involves construction of 50 units’ houses for placement. Selected recipients will inhabit this place and involve in agro-economic projects and given a monthly salary of RM1,000. Each head of the family will make an agreement with MAIPs to live in the house for five years with RM300 from their monthly salary disbursed to MAIPs as saving for the future (Kosmo Online, August 13, 2014).

3.2 Training, Courses and Workshops

In addition to the distribution of productive zakat provided to eligible recipients, zakat institutions also provide training, courses, and workshops for improving skills of recipients. Among the institutions that provide training schemes zakat to potential asnaf are MAIPk, MUIP, MAINS, MAIK, MAIDAM and so on. Among the training and courses are cakes and pastry preparation, beauty therapy and midwifery, electrician, food preparation, sewing and embroidery, automotive and others (MUIP, 2011: 72; MAIPk, 2013; MAIK, n.d; Pusat Zakat Negeri Sembilan, n.d; Maidam, n.d). Among the target groups joining these courses are asnaf and their children that are unable to pursue studies in higher institution.

3.3 Monitoring

To ensure that recipients remain committed to doing business, so zakat institutions carry out monitoring as periodically. Among the methods used, including making phone calls or monitoring direct at business premises. This monitoring is carried out by LZNK. After the monitoring is done, then the report will be prepared and submitted to the Department of Zakat Distribution and Asnaf Development to be filed (Mahyuddin Abu Bakar, 2012). In addition, there is zakat institution that conducts regular monitoring as MAINJ. MAINJ will monitor the development and progress of recipients for each 6 months (MAINJ, n.d).

3.3 Amount of Assistance

The amount of assistance provided through productive zakat distribution is different in some states. There is a state that provides assistance for a maximum productive zakat aid of RM 5000 as MAIK for business recovery assistance (MAIK, n.d) and LZNK for ‘Bantuan Jaya Diri’
While for LZS, capital assistance is divided into two categories: small-scale businesses and large-scale. For small businesses, the amount of aid is less than RM 5,000, while for large-scale business, the amount of aid is between RM5,000 to RM50,000 (Azman Ab Rahman, et.al, 2014). MAIWP also allocate additional capital or business equipment with a maximum amount of aid is RM30,000 (MAIWP, 2014: 39).

In conclusion, each state has its own strategies in distributing productive zakat to eligible asnaf. Following is a summary of productive zakat distribution and categories of recipients who are involved according to states in Malaysia:

<table>
<thead>
<tr>
<th>ZAKAT INSTITUTION</th>
<th>ZAKAT PRODUCTIVE ASSISTANCE</th>
<th>ZAKAT RECIPIENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lembaga Zakat Negeri Kedah (LZNK)</td>
<td>- Self Help Support (Bantuan Jaya Diri) - Asnaf Development Program (Tailoring Skill Center / Agriculture Project)</td>
<td>Needy</td>
</tr>
<tr>
<td>Lembaga Zakat Selangor (LZS)</td>
<td>Economic Development Program - Capital Assistance - Zakat Distribution Projects - Tailoring Workshop (D’Asnaf Anggun) - D’Asnaf Kraf - Mobil Entrepreneur - Pasar Rakyat Asnaf - Training Centre Asnaf Development Program (Capital assistance to start a business and grow the business)</td>
<td>Poor/ Needy/ Muallaf</td>
</tr>
<tr>
<td>Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK)</td>
<td>- Business Recovery Support (MAIK, n.d) - Workshop on Living Skills Program (Sewing, Embroidery and Automotive)</td>
<td>Poor and Needy</td>
</tr>
<tr>
<td>MAINJ</td>
<td>Self-reliance Scheme Asnaf Zakat Skill center (MAINJ, 2015) (Tunas Asnaf, Jana Asnaf Niaga, Jana Asnaf Chef, Jana Asnaf Menjahit)</td>
<td>Poor and Needy</td>
</tr>
<tr>
<td>MAIM</td>
<td>- Business Financing</td>
<td>Poor/ Needy/ Muallaf/</td>
</tr>
<tr>
<td>Organization</td>
<td>Programs</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>----------</td>
<td></td>
</tr>
</tbody>
</table>
| MAINS        | Asnaf and Capital Development  
               - Asnaf Development Centre (Cooking and Tailoring Workshop)  
               - Capital and Business Assistance  |
|              | Poor/ Needy/ Muallaf/ Fisabilillah |
| MUIP         | Asnaf Development Unit  
               - Organizes courses, training  
               - Capital and tool assistance  |
|              | Poor and Needy |
| MAIPK        | Asnaf Empowerment Program (PROPER A)  
               - Capital Assistance  
               - Courses and Training Program  |
|              | Poor/ Needy/ Muallaf |
| MAIPS        | Capital Assistance  
               - Skill Training Assistance  |
|              | Poor and Needy |
| ZPP          | Eradication of Poverty  
               - Business Capital Assistance  
               Entrepreneur Development  
               - Gerak Asnaf Catering  
               - Gerak Asnaf Jahitan  
               - Gerak Asnaf Tani  
               - Gerak asnaf Niaga  
               - Gerak Asnaf Kraf  
               - Atrium dan Café  
               - Entrepreneurship Program  
               - Self Development Program for Asnaf (Annual)  
               - Asnaf entrepreneur product  
               - Entrepreneurship training/ courses  |
|              | Poor and Needy |
| MAIDAM       | Self-Reliance Capital Assistance/ Business  
               - Entrepreneurship Courses for Asnaf  |
|              | Poor/ Needy/ Muallaf |
| PZS          | Distribution Scheme: Economic  
               - Bantuan Menghadiri Bengkel/ Kursus/  |
<p>|              | Fakir/ Miskin/ Muallaf |</p>
<table>
<thead>
<tr>
<th>Program</th>
<th>Assistance Provided</th>
<th>Target Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>TBS</td>
<td>Seminar Keusahawanan) - Assistance for attending Workshop / Courses / Entrepreneurship seminar - Capital Business Assistance (Group/ Individual/ Retail/ agriculture/ livestock/ fishery/ restaurant and service) - Business equipment assistance - Assistance for initial rental of premises - Incentive Assistance/ business encouragement</td>
<td>Poor/ Needy/ Muallaf/ Fi sabilillah</td>
</tr>
<tr>
<td>MAIWP</td>
<td>Strengthening the Ummah Welfare Program - Human Capital Development Assistance</td>
<td>Poor and Needy</td>
</tr>
<tr>
<td></td>
<td>Entrepreneurship Assistance Scheme - Business Assistance - Assistance for agriculture/ fishery/livestock</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1: Types of Productive Zakat Distribution by State in Malaysia**
*Source: Modified from Azman Abd Rahman & Hasanah Abd Khafidz (2015) and MAIN’s website*

**4.0 Conclusion**

Management of the zakat fund has been transformed for more effective collection and distribution for the purpose of eliminating poverty among poor and needy. One of the transformations is introducing productive zakat distribution to encourage the recipient to involve in the business and gaining income for themselves. Malaysia is a country that has introduced productive zakat distribution since 1980\(^{th}\). Although over 30 years has been implemented, but there is no detail information regarding its implementation. This research has been described productive zakat distribution in Malaysia consist of types, training, monitoring, an amount of zakat assistance and a general overview of productive zakat in Malaysia.

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