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The Roles of Zakat Distribution in Eradicating Poverty in Kedah During The Covid-19 Pandemic

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Abstract

Poverty is not only caused by inadequate resources but also due to the improper distribution and misuse of resources. This paper discusses the role of zakat as a mechanism for eradicating poverty. A similar situation is seen in Kedah, which might be due to an inefficient distribution of resources. Therefore, there is a need to analyze the relationship between zakat distribution and poverty level to determine the causes of irregularities or any other hindrances to ensure that zakat can play its role in eliminating inequality by eradicating poverty among Muslims. Consequently, the objective of this study is to determine if zakat distribution (independent variable) could reduce the poverty level among Muslims (dependent variable), primarily during the Covid-19 pandemic. Two types of methodologies were employed, involving secondary and primary data. Secondary data was analyzed using EViews to examine the relationship between zakat distribution and poverty level in Kedah from the year 1995 to 2020. For the primary data, questionnaires were distributed to 200 zakat recipients from all 12 districts in Kedah. Findings from both secondary and primary research showed that zakat distribution not only reduced the poverty level but also improved the overall standard of living of the zakat recipients in Kedah. However, zakat distributions were deemed insignificant in building potential businesses and providing job opportunities, indicating the possibilities of improvement by zakat institutions and other related parties.

Keywords: Zakat, Effective Distribution, Poverty, Pandemic, Covid-19

Introduction

The 2020 crisis caused by the Covid-19 outbreak has disrupted the economies throughout the world. Although the domestic declarations of movement control order (MCO) 1.0, MCO 2.0, and MCO 3.0 were intended to minimize the pandemic's impact on Malaysia, it has resulted in businesses being forced to close permanently, people losing their jobs, inability to pay loans, and even inability to fulfil basic obligations. As a result of these unforeseen events, Malaysia is expected to record a high unemployment rate, a lower gross domestic product (GDP), and an increase in poverty. This scenario will impose an enormous burden on the government in ensuring the people's well-being is taken care of, especially those under the B40 category. This situation has forced Malaysians to rely on any assistance they could obtain, whether from the government, religious institutions, or non-governmental organizations

(NGOs). It has also led to an increase in the number of people living in poverty (Zulkifli et al., 2021).

Zakat is the third of the five pillars of Islam. It is obligatory on all Muslims who meet the necessary wealth criteria. There are two types of zakat. Zakat al mal is a way to purify one's income and wealth. Zakat al fitr is special obligatory alms paid by all Muslims and is due from the start of Ramadhan until before the Eid Al Fitr prayer. It is a charity given to those who cannot afford to buy food to celebrate Eid Al Fitr. Zakat al fitr has a smaller amount than zakat al mal. The importance of zakat is highlighted numerous times in al-Quran.

Paying zakat is one way to attain Allah's mercy

"My Mercy extends to all things. That (Mercy) I shall ordain for those who have God-consciousness and give their Zakat and those who believe in Our Signs." (Surah Al-A'raf, 7:156).

Zakat also is a sign of brotherhood in religion

"But (even so), if they repent, establish regular prayers, and give their Zakat, they are your brethren in Faith" (Surah Al-Taubah, 9:11).

In Malaysia, zakat is managed by State Islamic Religious Councils (SIRCs). A new office called Pusat Pungutan Zakat (PPZ) or Zakat Collection Center was set up in each state to separate zakat administration from the administration of all other Islamic affairs (Elsayed et al., 2018). Examples of the 14 PPZ are Pusat Pungutan Zakat Wilayah Persekutuan, Lembaga Zakat Selangor, and Lembaga Zakat Negeri Kedah, to name a few. The administration of zakat institutions is important in ensuring that all matters regarding collection and distribution are conducted properly because the zakat money collected needs to be distributed among eight groups of beneficiaries (asnaf) who are qualified to receive the zakat (Rahman et al., 2012). The eight groups of asnaf are fakir, miskin, amil, muallaf, riqab, gharimin, fisabillillah, and ibnusabil.

Malaysia's efforts in creating awareness regarding importance of paying zakat and encouraging the people to pay zakat are commendable. The amount of zakat collected in Malaysia has increased gradually over the years. Reports on zakat collections in Malaysia showed that the PPZ managed to collect approximately RM357 million between January and June 2020. Despite the Covid-19 pandemic, the zakat collection increased by 9% from the year 2019, and a total of RM700 million is expected to be collected.

Aside from the efforts to help the poor and the needy, scholars are working hand-in-hand to find solutions to the never-ending problems. Research in the zakat field is currently dominated by Asian countries, with Malaysia at the forefront internationally (Alshater et al., 2021). The top seven spots for Islamic finance research worldwide are occupied by Malaysian institutions owing to the strong support from the government and training and research institutions that has accelerated the Islamic finance market development in Malaysia (Tijjani et al., 2020).

Since the majority of the poor and needy in Malaysia are Muslims, the effectiveness of zakat distribution has become a primary concern, including among non-Muslims, as they hope that the fund will lift the recipients out of poverty or at the very least improve their standard of

living. Many Malaysian Muslims opine that zakat is not being distributed efficiently to alleviate poverty among Muslims in Malaysia.

Although much effort seems to have been done, poverty is still a lingering issue in Malaysia. The wealth disparity between the rich and the poor in the country is increasing at a worrying level (Haq & Wahab, 2017). Dawood et al (2019) noted the existence of a digital divide between urban and remote areas in Malaysia due to inadequate infrastructure and out-of-reach services and educational provisions. There are apparent barriers in terms of obtaining network coverage, affordability in owning devices, literacy level and gender, signifying the need to expend more effort to address rural poverty in Malaysia, for instance in Kedah state.

Past researches have also only focused on analyzing either only primary or secondary data. This study is different as it enhances the current research by carrying out both analyses to compare and contrast the research findings. This research aims to analyze the relationship between zakat distribution and poverty level in Malaysia's context to clarify the divergent views among many parties.

Literature Review

Poverty in Malaysia

Poverty is a deep-rooted problem in every nation, and Malaysia is of no exception. The Covid-19 pandemic has caused the level of poverty to skyrocket. In Islam, poverty is defined as the failure to fulfill the five basic human needs underlined in maqasid al-shariah, namely religion, physical self, knowledge, dignity, and wealth (Hassan, 2010). The history of poverty eradication initiatives by the government of Malaysia could be traced to as early as before Malaysia achieved its independence. The plan was then incorporated officially into the historic Kongres Ekonomi Putra (Indigenous Economic Congress) in 1965 and 1968 and later on the New Economic Policy or NEP (Shamsul, 1983). Mohamed and Xavier (2015) added that the efforts have been ongoing until today, from NEP to National Development Policy or NDP (1991–2000), National Vision Policy or NVP (2000–2010), and New Economic Model or NEM (2010–2020). Despite the different emphases in policies, the vision has consistently been to eradicate poverty in the country.

Role of zakat in eradicating poverty

The zakat implementation in Muslim economies is not something new. It was established when Prophet Muhammad (PBUH) ruled Medina, where the zakat system was implemented to all Muslims and non-Muslims there (Alshater et al., 2021). The success of zakat in alleviating poverty is not mere fantasy as it had once achieved its triumph. Historical reports from the reigns of Caliphate Umar bin al-Khattab and Umar bin Abdulazeez proved the potential of zakat in fully eradicating poverty to the extent that the zakat proceeds were offered but unclaimed as no one needed it anymore (Alaro & Alalubosa, 2019). Today, bringing back such glory is still a dream of all Muslim communities globally.

As mentioned in al-Qur'an, Allah has bestowed abundant and sufficient resources to all mankind in this world (Qur'an, 41:10). In Malaysia, SIRCs are active in organizing programs to improve the quality of asnaf through the upgrading of education, human capital production, social welfare distribution, and equitable economic distribution (Meerangani, 2019). Zakat aid enables the less fortunate in society to attain the minimum quality of life by reducing the

poverty level. The research by Ali et al (2015) revealed that zakat pay-out had a positive impact on reducing poverty among the zakat recipients in the state of Kelantan albeit to only a small extent.

Zakat funds can have a substantial impact on economic development, society, and the country, particularly for those living below the poverty line. The study by Abdullah, Yusop, and Awang (2012) explained that the effective management of zakat would be a powerful tool to solve the socio-economic development issues in Muslim countries. It is imperative for zakat institutions to increase their efficiency in managing zakat funds because the effectiveness of zakat distribution depends largely on the system and management carried out by the zakat institutions (Meerangani, 2019).

Zakat in Malaysia

In Malaysia, zakat is viewed as a factor in deciding the states' fiscal policy as it serves as a tool to stimulate human development in both short and long terms (Suprayitno et al., 2017). Furthermore, zakat has been proven to spur the economic growth of Muslim economies, particularly in Senegal, Indonesia, Sudan, Malaysia, Qatar, UAE, Kuwait, and Saudi Arabia (Ben Jedidia & Guerbouj, 2021). Nonetheless, their research clarified that zakat would have a more substantial impact if the collection and distribution of zakat were enhanced.

Research by Elsayed and Zainuddin (2020) validates the important role of zakat in national development as it contributes to the social security and economic independence of the Muslim community. The research carried out by Mohamed et al (2019) in Selangor found a significant negative relationship between amount of zakat collected and poverty level, signifying that zakat was effective in reducing poverty. Additionally, beyond reducing poverty, zakat is also able to develop societies' social and ethical values in order to achieve sustainable development (Zulkifli et al., 2021). It can help bridge the gap between the rich and the poor, as well as serving as a vital financial resource for Islamic states.

However, a study conducted in Malaysia by Embong et al (2013) revealed that zakat could not address the issue of poverty despite the growing zakat amount collected throughout the years. The problem was caused by the high amounts of undistributed zakat by the PPZ, which was partly due to their inefficiencies in distributing zakat. Besides that, some zakat institutions have not been able to gain public trust, particularly from the Muslim community. This is due to their inability to manage the zakat funds collected, particularly in reaching the targeted asnaf group to distribute the zakat funds (Aminuddin et al., 2017). Jaapar and Kamarulzaman (2020) also highlighted public complaints regarding zakat that had not reached the target groups due to a lack of authority, advertisement, and a lack of understanding among society members. The issue occurred due to the ineffective management of zakat distribution. Likewise, the improper management of zakat had immense adverse effects as zakat was unable to reduce the poverty level in Nigeria, even during the Covid-19 pandemic, as proven in the research of (Umar et al., 2021).

Given the imbalance between the zakat funds collected and distributed in Malaysia, a new mechanism should be developed for the proper management of the fund (Saad & Abdullah, 2014). Accordingly, the zakat authorities must review the current principles and methods applied to zakat distribution to set the less fortunate group free from life hardships and poverty (Embong et al., 2013).

Hypothesis Development

The following research hypothesis was developed

H1: There is a significant negative relationship between zakat distribution and poverty level.

Research Method

Secondary Data

The first method involved data collection, data analysis, regression model, and statistical techniques to analyze the relationship between the independent variable (IV) and the dependent variable (DV). Secondary data were collected from Lembaga Zakat Negeri Kedah (LZNK) and Department of Statistics Malaysia (DOS). The target of investigation is the poverty level in Kedah (DV) and the zakat distribution in Kedah (IV). This study did not include other independent or control variables to specifically investigate the impact of zakat distribution on the poverty level in Kedah. Initially, this study intended to include annual data from the earliest available year until 2020, but DOS could only provide data for 1995, 1997, 1999, 2002, 2004, 2007, 2009, 2012, 2014, 2016, 2019, and 2020. Thus, the years taken were based on the available data from DOS. EViews was used for the regression analysis to analyze and interpret the research outcome.

Primary Data

The second method of primary data collection involved the process of developing a questionnaire and distributing it to selected respondents. The respondents were selected among the zakat recipients of LZNK. Specifically, the study selected two categories of zakat recipients, namely fakir and miskin (poor and needy). The survey was conducted in all 12 districts in Kedah. A set of questionnaires was created based on previous studies and distributed to 200 households whose members were zakat recipients. The questionnaire was principally based on the paper of Zulkifli et al (2021) and a few other related studies. The questionnaire consisted of four main parts, namely the demographic profile, financial perspective, overall performance of zakat distribution for the recipients, and life changes after receiving zakat aid. The questionnaire used a five-point Likert scale from 1 representing "strongly disagree" to 5 representing "strongly agree". In this research, the demographic factors selected to be measured were age, gender, and household size. A one-way ANOVA test was used to analyze the data. The test was performed to identify the differences between the mentioned demographic factors in terms of the dependent variable. Thus, a hypothesis was developed to answer the third research question and attain the research objective.

H01: There is no significant difference between the different age groups, genders, and household sizes in terms of the zakat effectiveness in reducing the poverty level of zakat recipients in Kedah.

Ha1: There is a significant difference between the different age groups, genders, and household sizes in terms of the zakat effectiveness in reducing the poverty level of zakat recipients in Kedah.

Empirical Findings*Secondary Data*

Table 4.1

Regression Results

Dependent Variable		POV	
Independent Variables	Expected Sign	Coefficient	Probability
ZAKAT	-	-0.0373	0.0467**
R-Squared		0.5461	
Adjusted R-Squared		0.4326	
F-Statistic (p-value)		2.4064 (0.0467)	
C		18.5796 (0.0016)	
Observations		6	

Note. ***, **, and * denote 1%, 5%, and 10% significance levels, respectively. POV = Poverty level, ZAKAT = Zakat distribution

This section provides a detailed discussion of the empirical results presented in the previous section regarding the hypotheses of this study. Regarding Hypothesis 1 (H1), this study hypothesized that zakat distribution is significantly and negatively related to poverty level. Consequently, this study found that as zakat distribution increased, the poverty level in the state declined correspondingly. Hence, H1 was supported. The findings imply that raising the amount of zakat distributed can partly lessen the poverty level. In other words, zakat distribution plays a pivotal role in helping to reduce poverty. This finding is in line with the study by Mohamed et al (2019) in Selangor, which also found a significant negative relationship between the amount of zakat collected and poverty, indicating that zakat was effective in reducing poverty. On the other hand, Umar et al (2021) discovered that zakat could not reduce the poverty level, even during the Covid-19 pandemic. However, it is noteworthy that this scenario was caused by the improper management of zakat in another country, i.e., Nigeria.

Primary Data

Table 4.2 provides a summary of the demographic profile of the respondents. A total of 101 questionnaires out of 200 were successfully collected and analyzed. The gender composition of the respondents was 33.66% male and 66.33% female. In terms of age, 33.66% of the respondents were between 41 and 60 years old, and another 33.66% were between 61 and 80 years old. About 46.53% or 47 respondents were widows or widowers. The household size varied. The largest number of respondents (38.61%) came from households with 3–4 members.

Table 4.2

Demographic Profile of the Respondents

	Frequency	Percent
Gender		
Male	34	33.66
Female	67	66.34
Age		
21–40	25	24.75
41–60	34	33.66
61–80	34	33.66
81 and above	8	7.92
Marital Status		
Married	35	34.65
Single	19	18.81
Widow/Widower	47	46.53
Number of Households		
0–2	24	23.76
3–4	39	38.61
5–6	23	22.77
7 and above	15	14.85

Table 4.3

Respondents' Financial Perspectives

No.		Mean
1	Zakat can help reduce the level of poverty of my family.	4.39
2	Zakat assistance granted to meet the basic needs of my family.	4.39
3	All zakat is distributed fairly to recipients.	4.11
4	Zakat helps in increasing my monthly income.	3.65
5	My income increased significantly after receiving zakat	3.55
6	Zakat received is increasing over the years.	2.98

Table 4.3 shows the respondents' financial perspectives. Both statements 'Zakat can help reduce the level of poverty of my family' and 'Zakat assistance granted to meet the basic needs of my family' recorded the highest mean of 4.39. Most of the zakat recipients agreed that zakat assistance helped reduce their burden in providing for their families. The statement 'All zakat is distributed fairly to recipients' obtained the second highest mean of 4.11. Two statements receiving medium ratings, where 'Zakat helps in increasing my monthly income' and 'My income increased significantly after receiving zakat' reported mean values of 3.65 and 3.55, respectively. The results indicate that although zakat does not increase their income substantially, it plays a role in reducing the households' poverty level and helps the people lighten the burden in their daily lives. The lowest mean was recorded for the statement 'Zakat received is increasing over the years', showing that the recipients did not agree that zakat payment increased over time despite the inflation and rising living costs. These results are consistent with Zulkifli et al (2021); Mohamed et al (2019); Yesuf and Aassouli (2020), which validate that zakat assistance is able to reduce poverty among Muslims.

Table 4.4
Overall Performance of Zakat Distribution for the Recipients

No.		
1	I can well manage zakat received.	4.48
2	Zakat has contributed greatly help in improving the education of family / my children.	3.50
3	Zakat assistance have increased potential business / my job.	2.98
4	Zakat assistance has increased the potential for me.	3.75
5	I am happy to deal with Zakat Institution.	4.61
6	I am satisfied with the distribution of zakat.	3.91

Table 4.4 presents the results of the respondents' opinions of the zakat aid they received. The statement with the highest mean of 4.61 is 'I am happy to deal with Zakat Institution', showing that the zakat staff were very helpful and the respondents were happy to deal with them. The statements given the second and third highest ratings are 'I can well manage zakat received' and 'I am satisfied with the distribution of zakat' with mean values of 4.48 and 3.91, respectively, proving that the respondents were satisfied and faced no problem in managing their zakat aid. They were able to manage the zakat they received even though most of them were from the poor and needy groups. This result is in line with (Meerangani, 2019; Zulkifli et al., 2021).

However, this paper discovered that zakat was not found to greatly improve the education of their families. It also did not increase the potential of their businesses and jobs, which means the respondents were uncertain on the roles of zakat in improving their future undertakings although they were satisfied in dealing with the zakat institutions. This finding contradicts Jaapar and Kamarulzaman (2020); Aminuddin et al (2017); Zulkifli et al (2021), which discovered that most of the recipients were not happy with zakat institutions and zakat distributions which might be due to a lack of authority, advertisement, and misunderstanding among society members. Moreover, the zakat institutions could also enhance their operations and deliveries to serve the recipients better.

Table 4.5
Life Changes After Receiving Zakat

No.		
1	My standard of living and my family have improved compared to before receiving zakat.	4.50
2	The situation in my life and my family is better than in the last five years in terms of material increase/asset ownership.	3.60
3	The situation in my life and my family is better than in the last five years in terms of participation in community activities.	3.82
4	The situation in my life and my family is better than in the last five years in terms of jointly developing the community.	3.83

Table 4.5 shows the results for respondents' life changes after receiving zakat aid. All four statements scored 3.6 and above, indicating that zakat aid improved the overall lives of the recipients. The highest mean of 4.50 was recorded for the statement 'My standard of living and my family have improved compared to before receiving zakat'. The statement 'The

situation in my life and my family is better than in the last five years in terms of jointly developing the community' obtained a mean of 3.83. Next, the statement 'The situation in my life and my family is better than in the last five years in terms of participation in community activities' reported a mean of 3.82. These results demonstrated that zakat aid increased the respondents' ability to engage in community services. They also agreed that 'The situation in my life and my family is better than in the last five years in terms of material increase/asset ownership', whereby they had increased ownership of assets and materials after receiving zakat aid. These results indicate that zakat could enhance their standard of livings and community participation, which is in line with (Zulkifli et al., 2021). However, this research found a different outcome on the material/asset ownership increase whereby the respondents viewed that zakat aid could only cover their necessities and could not really improve their material or assets ownership. This is reflected in the mean of 3.60 for this statement, which is the lowest in this category. This result contradicts (Zulkifli et al., 2021).

One-Way ANOVA Test

In testing the third research objective, one-way ANOVA was used to investigate if age, gender, and household size affected the zakat effectiveness in reducing the poverty level of the zakat recipients in Kedah.

Table 4.6

Presents the one-way ANOVA results for age, gender, and household size.

Item	F	Sig
Age	2.593	0.0570
Gender	2.346	0.129
Number of households	0.566	0.639

For age, the result showed the F value of 2.593 and the significance value of 0.0570. This result demonstrated that there was no significant difference between the age groups in terms of the zakat effectiveness in reducing the poverty level of the zakat recipients in Kedah. Thus, the null hypothesis cannot be rejected. Table 4.6 also presents the results for the differences between genders regarding the zakat effectiveness in reducing the poverty level of the zakat recipients in Kedah. The F value of 2.346 and the significance value of 0.129 showed that there was no significant difference between genders in terms of the zakat effectiveness in reducing the poverty level of the zakat recipients in Kedah. Therefore, the null hypothesis cannot be rejected. For the household size, the F value of 0.566 and the significance value of 0.639 indicated that there was no significant difference between the household sizes in terms of the zakat effectiveness in reducing the poverty level of the zakat recipients in Kedah. Therefore, the null hypothesis cannot be rejected. In general, age, gender, and household size had no impact on the zakat effectiveness in reducing the poverty level of the zakat recipients in Kedah.

Conclusions and Recommendations

Concerns regarding the effectiveness of zakat distribution in reducing poverty among Muslims in Malaysia are on the rise. This situation is mostly due to unfounded news and stories in social media and mainstream media that portray the zakat authorities as somewhat ignoring

or not being proactive in assisting poor Muslims. Managing zakat distribution is complicated and requires valuable insights and assistance from many parties. Therefore, this research was conducted to verify the roles of zakat distribution in reducing poverty and improving the lives of Muslims in Malaysia.

This study is different from most of past studies in that it employed both primary and secondary data. Overall, zakat was found to be instrumental in eradicating poverty and improving the lives and conditions of the zakat recipients, especially during the Covid-19 pandemic. The result from regression of the secondary data revealed a significant negative relationship between zakat distribution and poverty. It implies that as zakat distribution increases, the poverty level in the state will decline. In other words, increasing the amount of zakat distributed plays a pivotal roles in poverty reduction. Meanwhile, the findings from the primary data revealed that zakat distribution improved the financial conditions and overall living standard of the zakat recipients. This illustrates that the research findings from primary data collection supports the secondary data regression results. Additionally, through the questionnaire distributed, respondents also agree that zakat distribution allowed them to increase their participation in community development and most of them were satisfied with the services of the zakat institution. However, zakat distributions were perceived to have no significant roles in building potential businesses and job opportunities, and hence, zakat institutions should pay more attention to this matter.

Apart from that, the research found that the differences in age, gender, and household size had no effect on the zakat effectiveness in reducing the poverty level of the zakat recipients in Kedah. While the existing initiatives by zakat institutions are commendable, there is still room for improvement for better outcomes. More exposures and information should be disseminated to the public, especially on the details of distribution in order to reduce the unfavorable perceptions and to improve the image of the institutions. They should publish more infographics and videos on social media platforms, which are the preferred platforms among the younger generations. Moreover, more information should be disseminated via various mediums on the available zakat funding to ensure that more asnafs are aware of their rights and know how and where to apply for the funding. This is to ensure that zakat distributions reach more eligible asnafs. Furthermore, a new formula should be developed to measure the eligibility of asnafs. Among the factors to be considered are the number of children and dependents, as well as the locality perspectives, i.e., big city versus small town as the cost of living in a big city is higher than in a small town. This is to ensure that zakat can play pivotal roles in eradicating poverty and improving the living standard and the future of Muslims.

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