

# **THE EFFICIENCY OF ZAKAT COUNTERS COLLECTION AND DISTRIBUTION IN HIGHER LEARNING INSTITUTION**

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## **ABSTRACT**

The establishment of zakat counter in higher learning institutions is one of the initiatives undertaken by Lembaga Zakat Selangor (LZS) to optimize the collection of zakat among university staff and the public community throughout the State. The institutions are given autonomy to manage the zakat fund to be distributed to certain group of zakat recipients. Thus, the role play is crucial in ensuring efficient distribution and collection. The efficiency of collection and distribution can be measured by providing analysis on the efficient utilization of resources by the zakat counter in discharging their duties of collecting and distributing zakat at the university level. The evidences on analysis at the IPT counter level is the trigger point to prove that zakat collected can be distributed efficiently by the appointed counter and most important it is centered to certain asnaf or zakat recipients, in which the headquarters can focus on the national distribution.

**Keywords:** efficiency, zakat collection, zakat distribution, zakat payers, zakat recipients.

## 1.0 INTRODUCTION

The economic system in Islam dated back to the days of the Prophet SAW and his companions, which has continued over the generations until now. The basic principles in Islamic economic system are proven to have a positive impact on the management, planning, controlling and evaluation of an organisation. Islamic economic system is capable of addressing the challenges and realities of the present and future. One of the ancient economic systems in Islam is the zakat system which is repeatedly mentioned in the Quran on its importance after performing prays. In precise, Wiliasih et al., (2011) mentioned that zakat is mentioned in the Al-Qur'an for 58 times in total where 32 times the order of zakat is alone and 26 times is with solat.

Zakat was enacted more than 1400 years ago by Allah SWT to mankind through His messenger Muhammad (PBUH). Zakat aims in removing poverty from the society to help the lower income or poor people so that the objectives of socio-economic growth can be attained. Zakat also is a method of purification of wealth in which the higher income shared the prescribed portion of the wealth to the lower income to assist their economic of life. Zakat is giving the rights of the poor from the rich (Al-Mamun and Haque, 2015). Later in 1997, Khaft pointed out that zakat is the responsibility and financial obligation of the rich to help the society. In Surah At- Tawbah mentioned on the assistantship and purification as:

*“Take sadaqah from their amwal (wealth and income) in order to purify them, and sanctify them with it” (Al-Qur'an, 9:103).*

Thus zakat is the duty of individual person and government to helps those in needs as zakat brings multiplier effect to the society and to Islam as a whole. Zakat is one of the economic fiscal tools that focusing in social welfare and fair distribution of the wealth to the poor (Ibrahim, 2011, Ali and Hatta, 2014), hence the implementation reduce the gap between the rich and the poor. However, paying zakat as a tax is only related to Islamic practice, therefore it is important to government to identify and understand how these differences have influence on Muslim consumers' perceptions on the procedure of paying zakat as a part of tax in order to develop the effective and efficient implementation (Al-Mamun and Haque, 2015).

The practice of zakat collection and distribution in Malaysia is under the scrutiny of the State Islamic Religious Councils (SIRC) due to the religious matters are under the supervision of the Royal Highness of each state. Due to that, the implementation and administration of zakat is different to each state. Some states had taken the initiatives to fully privatize the zakat management system like Selangor and some had privatized the collection administration but the distribution is still handling by the SIRC like Melaka and Pahang. Wahid and R.A Kader (2010) claimed that zakat institution becomes less important due to the efficiency and transparency issues as half of the respondents were reluctant to fulfill the obligation through institution. In other study by Ali and Hatta (2010), corruption and improper managerial body of zakat collection in Malaysia, Indonesia and Bangladesh are the strong reason zakat payers were unwilling to disburse income as zakat.

## **2.0 BACKGROUND OF ZAKAT INSTITUTION IN MALAYSIA**

The management and distribution of Malaysia zakat system had improved tremendously as compared with other Islamic countries (Ali and Hatta,2014). Lubis et.al (2011) added that the result of peace and national development helps Malaysia to reduce poverty successfully. Malaysia practice a zakat system which fall under the zakat institutions purview of the state authorities. In the early 1990's, the State Islamic Religious Councils (SIRCs) have undergone various phases of development especially the corporatization process which embarked a new phase of management and development. The corporatization objective is to make a way to a better management of zakat organizations. It is notably that after the corporatization, the collection of zakat had increased nearly tenfold. The increase in collection is also contributed by other strategies to motivate and encourage Muslims to pay *zakat*. It includes promotions to awareness campaigns in concentration to enlarge the zakat-of-wealth payers' community. The most successful annual campaigns is conducted in December in promoting that *zakat* payment would qualify them to get tax rebate from the Inland Revenue Board Malaysia. In some other state zakat institutions also put the strategies by displaying advertisements on public transportations, and setting up buntings in public area.

They also organize forums, seminars and even workshops to give explanation on zakat-of-wealth to the public and also mobile zakat payment counter thru moveable truck. Besides, the office hours of the zakat center is extended to operate during weekend and until 7.00 p.m. during peak season like in December and during Ramadhan to encourages and ease zakat payers. The different practices and initiatives are due to the law on zakat is under the scrutiny of each state's enactment or its own zakat law (Bakar and Rahman, 2008) as the religion affairs under the purview of the royal highness of each state. Thus, the SIRC's are fully responsible in managing zakat affairs including its collection and distribution. Even though, each state has its own SIRC but they are all referred to as zakat institutions in the Malaysian context despite the different approaches in managing zakat varies from one state to another, the main aim remains the same. In coordinating the differences, the federal government has established the Department of Zakat, Waqf and Hajj (JAWHAR).

### **3.0 ZAKAT LOCALIZATION**

Malaysia is practicing the localization zakat management as each State has its own zakat management institutions. Zakat matters are further administered by dividing it into *zakat* administration, collection and distribution. Some of the zakat institutions have undergone a privatization or corporatization with the objective to increase its efficiency and effectiveness of the zakat management in collection and distribution. Lembaga Zakat Selangor (LZS) for example has corporatized its collection and distribution department and proven to increase its collection amounting to nearly 1/3 of total zakat collected in Malaysia (Abdul Halim et.al, 2015). However, as far as zakat distribution is concerned, despite the increase in collection, its distribution increase at a slower pace (Ismail and Masturah, 2014). Thus, in response to the issues, LZS has taken initiative to further localize its collection and distribution by appointing higher learning institution as collection and distribution agency on behalf of LZS.

Moreover, the distribution of zakat in higher learning institution is given from certificate up to Doctorate level. The coverage of the fund is including tuition fees, accommodation and cost of living. Azman and Ainatul (2015) pointed out that the current distribution practice of all state zakat institutions are by way of direct distribution to higher learning institution instead of

upgrading the distribution by developing an innovation to full autonomy or direct zakat fund management to the higher learning institution for efficient zakat distribution. Norsuhaily et.al (2015) pointed out that the smaller the locality of the zakat collection and distribution the more effective it will be. It is further added that the zakat distribution management is better as it reach the recipients on time due to the fact that the recipients can be identified by the institution clearly. Adibah (2014) agreed that the localization of zakat collection based on states brings impact to the zakat collection trends as it increase by 18.4% every year.

Higher learning institution localization concepts that been practiced by LZS since 1998 had given some autonomy in terms of zakat collection and distribution among the IPT staff and the students. Currently, LZS had appointed 14 IPT in Selangor to operate as IPT zakat counter which are Universiti Kebangsaan Malaysia (UKM),Universiti Putra Malaysia (UPM), Universiti Islam Antarabangsa Malaysia (UIAM), Universiti Teknologi Mara (UiTM), Universiti Tenaga Nasional (UNITEN), Universiti Tunku Abdul Rahman (UNITAR), Kolej Universiti Islam Antarabangsa Selangor (KUIS), Universiti Multimedia (MMU), Universiti Selangor (UNISEL), Universiti Infrastruktur Kuala Lumpur (IUKL),Multimedia Science Universiti (MSU), Universiti Islam Malaysia(UIM), Cyberjaya University College of Medical Science and Universiti Kuala Lumpur (UniKL). The decentralization given to IPT counter is by way of 50% from the zakat collected will be transferred to LZS and another 50% is given autonomy to manage which 6.25% is for Amil and 43.75% is to be distributed to the 5 groups of asnaf whom are fakir, miskin, fisabilillah, Ibnu Sabil and Muallaf.

Hence, as stated by Rahman (2007), a proper performance measurement system is in need to integrate zakat into main stream Islamic financial system in Malaysia. Further urged by Rahman (2007) is for the Malaysian Constitution to take pro-active movement in developing and innovate a fair measurement of zakat on business wealth based on shariah compliance due to the emergence of complexness of business activities as compared to the traditional methods of measurement may not relevant in reflecting the true and fair amount of zakat due. On top of that, Islamic business entities are burdened some with two contributions that is corporate tax and zakat on business wealth and the 2.5% rebate somehow reduce the contribution and ensure fair treatment among others. A proper performance management system are crucial in ensuring the

needs of stakeholders for zakat financial information is satisfied including the payers, the recipients and the zakat administrators. At current phase, the good governance on zakat disclosure is highly practiced by the Islamic Financial Institution due to the reasons it is the requirement of the highly regulated industry. The governance of zakat institutions is important to ensure the governance structure and mechanism from the view point of the financial and managerial accountability of zakat collection and distribution. To realized the practice, a good financial management practices in terms of accounting and auditing needs to undertake and reform in collection and distribution of zakat fund.

#### **4.0 CONCLUSION**

Religious based organizations are gaining increasing attention within development circle among the stakeholders such as practitioners, zakat payers, zakat recipients, policymakers, as well as the academics. The controversies that hit the zakat institutions are nevertheless reducing the trust from the zakat payers to contribute part of the wealth as zakat. The issue on high collection of zakat but surplus of distribution had make public to queries the distribution method applied in the organization. Moreover, Ismail and Masturah (2014) pointed out that despite the increasing collection of zakat, it still can be considered to be low if to be compared to the population of the muslim in each states. Nonetheless, zakat seems cannot be considered as poverty control mechanism as the poverty level is keep increasing year by year. Hence, it is important to provide analysis on the efficient utilization of resources by Zakat Institutions in Malaysia in discharging their duties of collecting and distributing zakat. The evidence on analysis at the IPT counter level is the trigger point to prove that zakat collected can be distributed efficiently by the appointed counter ad it is centered to certain asnaf or zakat recipients, in which the headquarters can focus on the national distribution.

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