

EVALUATING ZAKAT INSTITUTIONS PERFORMANCE IN MALAYSIA

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ABSTRACT

This paper aims to evaluate the performance of zakat institutions in Malaysia in order to identify our need to develop its management systems. The development of zakat management institutions in Malaysia should be in line with the development of other sectors in the country. Changes that occurred in the administration in different institutions requires the Department of Zakat and religious councils to be more aware to face this changes and achieve the goals it has taken upon itself, such as product high quality Services , gain a wider audience of Zakat payers and meet needs of a larger number of poor and needy, At a time when poverty became one of the biggest problems facing societies. When we guide zakat institutions to adopt alternative mechanisms or advanced in the administration, we in fact pay it to confront the inadequacies problems dogging the current administrations in the performance of work which impedes economic and social development in the community in Malaysia.

Keywords: Zakat institutions , Poverty , Zakat information system , Development

INTRODUCTION

Development has become a key of feature of in order to Horn basic requirements by human beings , to avoid the shortcomings of all existing, including saving time, effort and money . If we touched sophisticated and clear in most of the state institutions and all sectors in line with the modern systems, we must pause with zakat institutions in Malaysia in order to monitor the administrative developments over the past years have taken place where the tracking deficiencies in the current regulations in an effort to fill the gaps .Where and when we are talking about zakat, we are talking about the duty of the ordinances of God Almighty worship God Almighty stipulated in the verses of The Holy Quran and Hadith to ensure salvation in this world and the hereafter

Here we are talking about working with God Almighty, therefore it must consider it as a right business and put the best we have to improve , develop and organize it . God Almighty taught us how to perform this act and how to calculate it , How we do it correctly according to divine law . But the existence of legal provisions relating to zakat does not mean that zakat institutions

are scalable. It can create and improve management to be in line with the nature of every age and every society, such as the use of technology or modern management systems. Zakat Foundation is one of the organizations that carry out acts of public services, especially poor and needy, Zakat institutions is seeking to win the confidence of the public, exposed afterwards to evaluate from Muslim's community . So that zakat institutions management have to discover new initiatives to meet the challenges and ailments of society, to achieve the level of professionalism, as a comparable to the rest of nonprofit organizations and also to achieve transparency and accountability in all the daily affairs zakat institutions in Malaysia.

The Malaysian Constitution has listed zakat under the state authority. This provision is in line with the basic concept accepted by the Malaysian Constitution in which all religious affairs should be put under the various state authorities. The Malay rulers (Sultan) or Yang Dipertuan Agong as Head of Religion have religious authority in their respective states. Each state in Malaysia has formed its own Islamic Administrative law that is in line with the constitutional provision to execute its authority over religious matters. Normally provision related to zakat is part of the law.

Table 1: Islamic administrative law for Malaysia's state

States	MAIN and ZI
Kelantan	Majlis Agama Islam dan Adat Istiadat Melayu
Terengganu	Majlis Agama Islam dan Adat Istiadat Melayu Terengganu
Pahang	Majlis Ugama Islam dan Adat Resam Melayu Pahang Pusat Kutipan Zakat
Perlis	Majlis Agama Islam dan Adat Istiadat Melayu
Johor	Majlis Agama Islam Negeri Johor
Kedah	Majlis Agama Islam Negeri Kedah Jabatan Zakat Kedah
Selangor	Majlis Agama Islam Selangor Lembaga Zakat Selangor
Perak	Majlis Agama Islam dan Adat Istiadat Melayu
Negeri Sembilan	Majlis Agama Islam Negeri Sembilan Pusat Zakat Negeri Sembilan
Melaka	Majlis Agama Islam Melaka Pusat Zakat Melaka
Penang	Majlis Agama Islam Negeri Pulau Pinang Pusat Urus Zakat Pulau Pinang
Wilayah Persekutuan	Majlis Agama Islam Wilayah Persekutuan Pusat Pungutan Zakat
Sabah	Majlis Agama Islam Sabah Pusat Zakat Sabah
Sarawak	Jabatan Agama Islam Sarawak Tabung Baitulmal Sarawak

HISTORY OF ZAKAT ADMINISTRATION IN MALAYSIA

Zakat institutions in Malaysia particularly has been established for the past 70 years, Zakat management has to present its actual true potential until early 90's when steps were taken to improve and modernize zakat management and system.

All this while, Islamic Religious Councils has been concentrating on zakat fitr and zakat on agriculture (paddy). Thus, serious consideration on the true potential of zakat of property is not given proper emphasis. The notable cause for this is because the economy of Muslim / Malay community has yet to reach the level that could enable them to pay zakat. However, today, majority of Muslim community in Malaysia is qualified to pay various types of zakat.

Understanding of zakat among Muslims in Malaysia were still in low level, which can be divided into two categories: i) Those who are totally unaware / ignorant of their obligation and do not make any effort to know about their duties on zakat, this category of people would only pay when legal action is taken against them; ii) Those who know about their obligation but reluctant to pay zakat until they are informed and clarified.

Zakat institution in Malaysia previously was left behind in terms of its management and implementation. Collection and distribution system implemented by the authority concerned was still at the backward state that caused its true potential to be hidden for a long time. This is a big loss as the collection/return could have been invested in socio-economic development of Muslim community in Malaysia

MODERNIZATION IN MANAGEMENT OF ZAKAT IN MALAYSIA

Zakat management and administration in Malaysia took a giant innovative step when the Federal Territories Islamic Religious Council agreed to a proposal forwarded in 1990 by an ex-Menteri Besar of Pahang state, namely Dato' Haji Abdul Rahim Bakar, that the zakat collection in Federal Territories be made a model using corporate management principles

After a study was done by a consulting firm, the Religious Council agreed to the recommendation of a task force for the setting up of a new office to collect zakat on behalf of the Islamic Religious Council. The new approach includes the incorporation of a new management and administration of zakat collection system by setting up a company under the Islamic Religious Council to separate it from the rest of the administration of Islamic affairs which is very diverse. A new office was set up called "Pusat Pungutan Zakat" (PPZ) or Zakat Collection Centre. The company called "Hartasuci Sdn. Bhd." manages PPZ and handles all matters pertaining to the collection of zakat on behalf of the Religious Council.

PPZ is the zakat office of Federal Territories Islamic Religious Council which started operation on 1st January 1991. PPZ has been receiving payments from Muslims and corporations throughout the country because it is the most systematic and the pioneer of using corporate methods and style of management of zakat collection. All costs of collecting zakat were borne by the company and the Council pays the company management fees monthly as an *amil*. Zakat collection and the administration of PPZ was computerized which is believed to be the first in the world. On-line zakat counters were specifically opened to serve the zakat payers.

PROBLEMS FACING ZAKAT MANAGEMENT INSTITUTIONS

Given the importance of zakat to the economy and society, in country like Malaysia, zakat institutions have been set up to collect and distribute funds. They are under the control of Islamic Religious Councils (IRC) of each state. The IRC play an important role in the administration and management of zakat institutions. empirical evidence indicates that Malaysia's zakat collection has been increasing from year to year and the means of the distribution of zakat has become a model for other Muslim countries (Wahid & Kader, 2010) Collection and distribution of zakat nationwide in Malaysia is increasing from year to year, from 2009 until 2013. It collect through declarations by zakat institutions. Number of zakat collection and statistics on all states in Malaysia can be summarized in Table 2.

Table 2: Zakat collection and statistics on all states in Malaysia

No.	States	2013	2012	2011	2010	2009
1	Selangor	517,305,275 .00	451,325,027 .00	394,103,904 .00	336,934,522 .00	283,648,722 .00
2	Wilayah Persekutu an	484,632,029 .53	402,813,639 .88	341,330,169 .85	282,676,074 .00	243,803,789 .22
3	Johor	200,000,000 .00	171,900,000 .00	137,400,000 .00	122,336,032 .00	109,231,255 .00
4	Terengga nu	121,098,064 .39	107,077,967 .25	88,274,932. 37	76,447,878. 00	73,524,193. 00
5	Kelantan	114,850.000 .00	113,000,000 .00	83,500,000. 00	70,373,329. 00	66,522,450. 31
6	Pahang	109,240,524 .24	102,875,834 .89	82,689,384. 43	74,574,869. 71	71,868,302. 65
7	Perak	109,825,143 .00	103,202,759 .00	87,419,398. 00	70,282,296. 00	67,189,291. 45
8	Kedah	123,098,353 .00	105,800,470 .00	102,000,000 .00	76,947,140. 00	67,578,342. 14
9	Pulau Pinang	80,773,499. 00	72,296,316. 00	58,215,179. 00	49,240,837. 00	47,952,153. 34
10	Negeri Sembilan	78,853,814. 12	66,258,925. 95	58,636,379. 89	51,634,018. 31	42,861,533. 52
11	Sarawak	60,000,000. 00	51,000,000. 00	44,100,000. 00	39,143,056. 00	36,915,094. 91
12	Melaka	53,000,000. 00	43,512,000. 00	37,928,000. 00	34,011,770. 00	30,721,955. 12
13	Sabah	55,000,000. 00	48,929,401. 12	33,891,152. 97	32,856,749. 96	25,388,088. 73
14	Perlis	43,191,710. 33	-	-	38,091,506. 00	25,253,015. 10

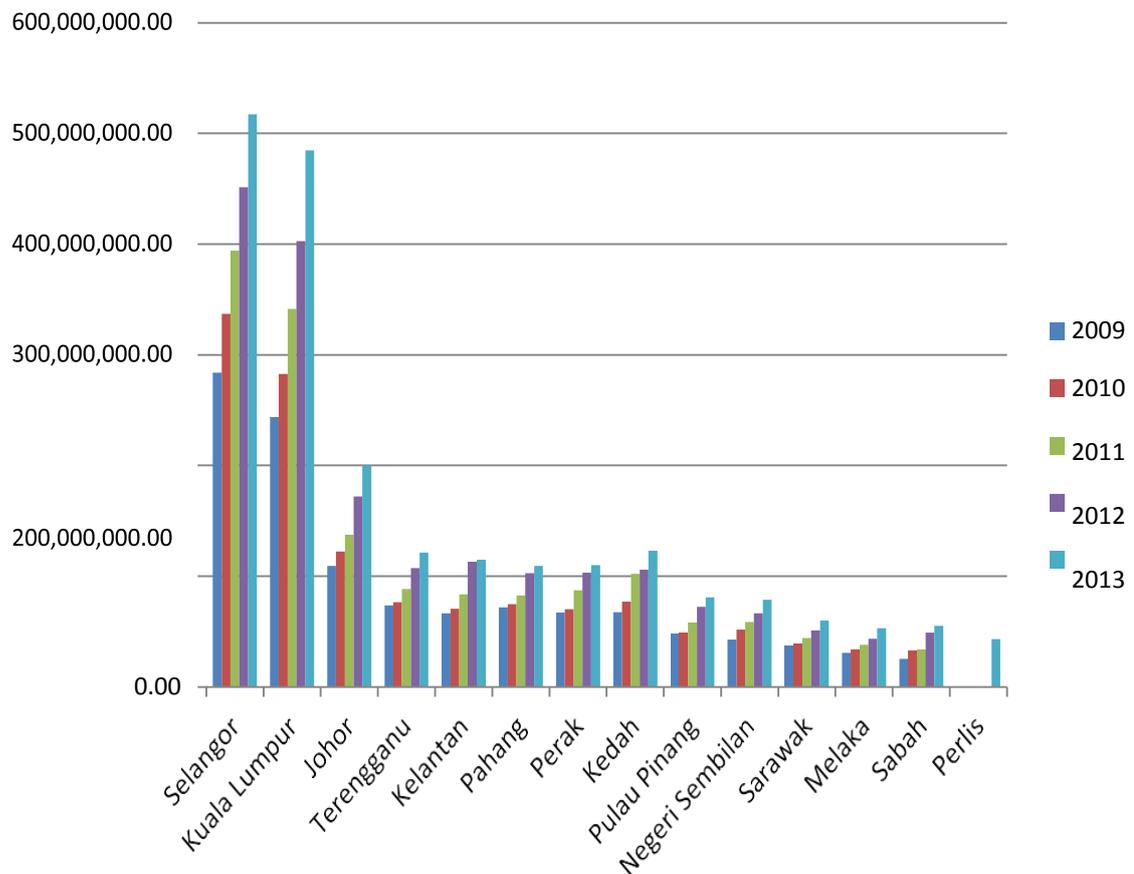


Figure 1: Statistics collection of zakat in 14 states in Malaysia from 2009 to 2013

Given the importance of zakat to the economy and society, in country like Malaysia, zakat institutions have been set up to collect and distribute funds. They are under the control of Islamic Religious Councils (IRC) of each state. Empirical evidence indicates that Malaysia's zakat collection has been increasing from year to year and the means of the distribution of zakat has become a model for other Muslim countries. Some recent studies, however, revealed many shortcomings of the zakat institutions. One of the issues pertaining to this is the surplus of millions of ringgits of zakat funds that are not distributed to the recipients. Reports on zakat collection and distribution in Malaysia showed the performance of zakat distribution is fairly low as compared to zakat collection. Table 3 summarizes the total collection and distribution of *zakat* based on states in Malaysia. On average, only 86% of *zakat* collected in 2010 were distributed in the same period. Penang and Negeri Sembilan show more than 100% distribution of *zakat*. This might occur as some amount of *zakat* collected the year before was not distributed. On the other hand, the distribution percentage of *zakat* in Sarawak, Kuala Lumpur, and Pahang was quite alarming at 61%, 71%, and 72% respectively. One of the main reasons of low percentage of *zakat* distribution is due to the practice of paying *zakat* at the end of the year. It was reported at certain states; about 50% of the *zakat* was collected in the final weeks of a year. Due to the time constraint and under staffing, these funds were not distributed in the same period. However, it is expected that these unallocated funds to be distributed to the eligible *asnafs* in the following year.

Table 3: Total collection and distribution of zakat based on states

States	Collection		Total	Distribution	%
	Zakat al-fitr	Zakat al-mal			
K. Lumpur	7,040,649	275,635,425	282,676,074	200,541,409	70.94%
Selangor	17,333,281	319,601,241	336,934,522	330,364,503	98.05%
Perlis	912,940	37,178,566	38,091,506	30,730,256	80.67%
Kedah	5,504,906	71,442,234	76,947,140	66,061,795	85.85%
Penang	3,998,526	49,240,607	53,239,133	54,352,513	102.09%
Perak	7,663,986	61,975,515	69,639,501	66,793,034	95.91%
Kelantan	7,592,424	62,780,905	70,373,329	63,909,067	90.81%
Terengganu	5,566,841	70,881,037	76,447,878	61,744,662	80.77%
Pahang	6,300,000	74,574,870	80,874,870	58,604,106	72.46%
N. Sembilan	3,771,307	46,429,815	50,201,121	51,740,273	103.07%
Johor	13,140,920	109,195,112	122,336,032	110,308,434	90.17%
Melaka	3,144,564	30,867,207	34,011,770	31,392,559	92.30%
Sabah	7,188,953	25,667,797	32,856,750	26,021,789	79.20%
Sarawak	3,272,479	35,870,576	39,143,056	23,922,812	61.12%

(Federal Territory *Zakat* Collection Centre, 2010)

Previous studies on the effectiveness of *zakat* in alleviating poverty in Malaysia have highlighted a few issues . for example, highlighted the issues of inefficiency of *zakat* distribution thus affecting the objective of combating poverty. They argued that studies found that there were bureaucracy problems in *Zakat* Institutions in Malaysia that would slow down the application process

Prior studies on *zakat* management have provided us with various useful insights about issues and challenges surrounding the management of *zakat* funds A number of recommendations including models or frameworks were proposed to improve particularly the distributions of *zakat*. Despite these suggestions, as stated earlier one of possible effects of the inefficiency of *zakat* management is the issue of surplus of *zakat* funds, which are not allocated to eligible recipients

While there are prior studies that suggest ways to overcome the inefficiency of *zakat* distribution . There is little studies, however, have been undertaken on this issue by examining the *zakat* institution's accountability system and practices. The in-depth understanding over the accountability system and practices of the *zakat* institutions may assist to identify the underlying factors that lead to inefficiency in *zakat* distribution. Through the identification, the *zakat* institutions may undertake necessary steps in improving, for example, the procedures and/or processes of *zakat* fund distribution itself.

SUGGESTIONS AND RECOMMENDATIONS

Zakat management has been argued as the most critical aspect in determining the direction of the zakat institutions as a systematic and efficient management would ensure optimization of the zakat. Generally, management of zakat has been understood to involve in two activities, which are collection and distribution of zakat funds. One main objective of zakat management is to achieve the best possible outcome in the timely collection and distribution of zakat as ordained in Islamic Shariah

Zakat management is important to help Muslims establish its primary function as a means to alleviate poverty. Moreover, the effectiveness of zakat management is important to enable zakat to be a catalyst in improving the lives of the poor and needy. A sufficient level of trust is crucial to be maintained between Muslims and zakat institutions. On the other hand, it has been argued that the zakat management should exhibit professionalism and trust to maintaining the interest of zakat recipients.

On the other hand, There are some suggestions to improve the performance of zakat institutions in Malaysia, for example, The governance of zakat institutions and the governance structure and mechanism have to offer financial and managerial accountability of zakat collection and distribution. In order to be accountable, to the public as well as to institutional stakeholders. Propose an integrated information system that could help to improve the zakat management. Inefficiency and capacity building in zakat institutions in Malaysia. The spirit to uphold Islam as a religion for all humanity spirit must be the foundation in operating the zakat institutions because it would enhance their well-being and quality of life, provides employees a sense of purpose, meaning at work, a sense of interconnectedness and community. A conceptual framework could be used to evaluate the efficiency and governance of the zakat institutions in Malaysia. such evaluations are crucial for the Islamic financial system to function effectively in order to achieve the noble objectives of socio-economic justice through proper distribution of wealth.

CONCLUSION

In summary, the Islamic accountability theoretical foundation underpins the relationship between human and one's Creator, Allah, and other mankind, The proposed Islamic accountability framework in zakat fund management and accountability relationships in the zakat fund management involve various parties such as the zakat institution (which manages the zakat fund), zakat payers and recipients

Focusing on the accountability of the zakat institution that has direct responsibility in managing zakat fund. To both zakat payers and recipients, the zakat institution in general is accountable to efficiently manage the zakat fund so that the objectives of zakat collection (from the zakat payers) and zakat distribution (to the recipients) can be achieved. Then, the accountability duty of the zakat institutions will be discharged mainly by providing explanations or accounts on how the zakat institutions are fulfilling its responsibility in managing zakat to relevant parties like the zakat payers and ultimately to Allah