

**ZAKAT PERFORMANCE INDEX**



**RESEARCH MANAGEMENT INSTITUTE (RMI)  
UNIVERSITI TEKNOLOGI MARA  
40450 SHAH ALAM, SELANGOR  
MALAYSIA**

**BY:**

**ABD HALIM MOHD NOOR  
ROZMAN MD YUSOF  
MUHAMAD RAHIMI OSMAN**

**SEPTEMBER 2012**

## Contents

1. Letter of Report Submission .....	iii
2. Letter of Offer (Research Grant).....	iv
3. Acknowledgements .....	v
4. Enhanced Research Title and Objectives .....	vi
5. Report .....	1
5.1 Proposed Executive Summary .....	1
5.2 Enhanced Executive Summary.....	2
5.3 Introduction .....	3
5.4 Brief Literature Review .....	4
5.5 Methodology.....	9
5.6 Results and Discussion .....	11
5.7 Conclusion and Recommendation.....	17
5.8 References/Bibliography .....	20
6. Research Outcomes.....	22
7. Appendix .....	23

## 2. Letter of Offer (Research Grant)

16/04/12

14:26

RESEARCH MANAGEMENT INSTITUTE (RMI)

0355442096

p.02

Ruj. Kami 600-RMI/SSP/DANA 5/3/Dsp (29/2010)  
Tarikh 10 April 2012



Profesor Madya Dr Abd Halim Mohd Noor  
Fakulti Pengurusan Perniagaan  
Universiti Teknologi MARA Cawangan Melaka  
KM. 26, Jalan Lendu  
78000 Alor Gajah, Melaka

Tuan

### PEMBETULAN TARIKH PENYELIDIKAN GERAN DANA KECEMERLANGAN

Tajuk Projek	Zakat Performance Index
Kod Projek	600-RMI/SSP/DANA 5/3/Dsp (29/2010)
Tempoh	12, bulan
Ketua Projek	Profesor Madya Dr Abd Halim Mohd Noor

Dengan segala hormatnya perkara di atas adalah dirujuk

2. Adalah dimaklumkan permohonan tuan untuk meminda tarikh penyelidikan telah diluluskan seperti berikut:

Tempoh Kelulusan Asal 1 Jun 2010 – 31 Mei 2011

Tempoh Kelulusan Baru 01 Oktober 2011 – 30 September 2012  
(12 bulan)

3. Sehubungan dengan itu, di harap dengan pembetulan tarikh projek dapat melancarkan perjalanan projek penyelidikan ini.

Sekian, harap maklum dan terima kasih.

**"SELAMAT MENJALANKAN PENYELIDIKAN DENGAN JAYANYA"**

Yang benar

  
**DR. ING OSKAR HASNOR HASSAN**  
Ketua Penyelidikan (Sains Sosial dan Pengurusan)

s.k. 1. Rektor, UiTM Cawangan Melaka, KM 26, Jalan Lendu  
78000 Alor Gajah, Melaka

Penolong Naib Canselor (Penyelidikan) 603-5544 2091-2095  
Bahagian Penyelidikan 603-5544 2091-2095/2096/2097/2098/2099  
Bahagian Perundingan 603-5544 2100/2097/2093/2094  
Bahagian Inovasi 603-5544 2750-2747/2748

Bahagian Penerimaan 603-5544 142-143/144  
Bahagian Sakong ICT 603-5544 2095-2096/2097/2098  
Bahagian Sains 603-5544 2098/2097/2095  
Pejabat Ark 603-5544 2057/1521-1636-5544 7907

Penolong Pendaftar 603-5544 2096  
Fak 603-5544 2096-2097  
Unit Kawangan Zon 17 603-5544 3493-2049  
603-5521-1385-1404



Research Management Institute (RMI) Universiti Teknologi MARA, 40450 Shah Alam, Selangor, Malaysia  
<http://www.rmi.uitm.edu.my>



## 5. Report

### 5.1 Proposed Executive Summary

Zakat literally means purification, however it also denotes transfer of wealth ownership from individuals to other individuals who are entitled to receive it in accordance with syariah. Zakat acts as mechanism for distribution of wealth in the Islamic society.

Performance measurements have attracted interest in ascertaining that institutions achieved their organizational objectives (Saari, 2006). Apparent in many industries, such measurement tools play vital role in guiding their operations. Implementations of a performance measurement system provide a framework in creating an efficient organization. With the exception of the Islamic banking sector, such zeal for monitoring performance however is not evident in zakat institutions (Grais & Pellegrini, 2006).

In Malaysia, despite being administered by the States and those eligible are by law have to fulfill their obligations; payments and distributions of zakat have yet to reach its full potential (Abd Halim et al, 2010). Data on zakat collection and distribution in all states suggests that despite its increase, it is yet to be fully utilized (PPZ-MAIWP, 2009). More so for distribution of zakat fund, some argued that zakat were not effectively distributed (Mahmood Zuhdi et al, 2006; Hairunizam & Radiah, 2010). As such, an objective measurement of performance is necessary if zakat is to fulfill its objectives. (Abdul Rahim, 2006).

Primary data will be obtained through surveys and interviews of experts and practitioners. Secondary data from various reports by zakat institutions and other relevant authorities will also be utilized. A proposed measurement model which will utilize four aspects namely input, process, output and quality to measure the performance of zakat institutions. The proposed model will be utilized in constructing the index. Delphi technique will be employed to determine the components and their weightage in the proposed index. This research is a first attempt to construct a zakat performance index. This index could be used by the zakat industry to determine and measure the performance of zakat institutions.

### 5.3 Introduction

The *raison d'être* of any organizations is their ability to fulfill its organizational objective. Similarly, zakat organizations being one of the Islamic institutions entrusted to address the economic imbalances among the muslim ummah have a daunting task. Data on zakat collection in several countries suggest that despite its increase, it is yet to reach its potential (Mahmood Zuhdi et al, 2006). This scenario is further compounded by the perceived inability of various zakat organizations to timely disburse their zakat fund. This chapter will introduce the problem statement, research questions, research objectives, significance and limitations of the study.

Performance of zakat institutions in Malaysia varies according to states. Comparative studies on zakat collection, distributions and its effectiveness are yet to be undertaken. In Malaysia, with Islamic matters under the jurisdiction of the States rather than the Federal, zakat are collected and distributed by state-owned organizations. Despite being administered by state bodies and zakat payers are legally bound to fulfill their obligations, payments and distributions of zakat has yet to reach its full potential. Penalty for non-compliance of zakat, although in existence, were not enforced. The aforementioned scenario portrayed fulfilling zakat obligations as voluntary when it is in fact mandatory. The differences in state's performance are mainly attributed due to the differences in the zakat institution performance, level of awareness of zakat responsibility plus the economic development stage of the state.

In zakat organizations, there were reported incidences of negative perceptions on the management of zakat funds which, if not addressed adequately, will have an impact on further development of zakat institutions. Factors hypothesized in this study are corporate governance, economic and managerial efficiency, syariah-compliance, human resource, knowledge and productivity influence performance. Zakat organizations have a task to ensure and convince the public that not only the fund collected will be distributed in accordance with syariah but zakat institutions will be administered professionally and efficiently. The failure to achieve these objectives will reduce public confidence and zakat payees will decline and may choose other alternatives to fulfill their zakat obligations. The ability of the zakat organizations to exhibit excellent performance is of paramount importance on sustaining the confidence of the muslim public. Zakat organizations have a task to ensure and convince the public that not only the fund collected will be distributed in accordance with syariah but zakat institutions must be administered professionally and efficiently.