

ZAKAT INSTITUTION APPROACHES IN MANAGING ZAKAT COLLECTION

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Abstract. Malaysian government had taken proactive action by establishing legislation and well-structured organization of zakat institutions to administer zakat management in Malaysia. Zakat institutions play a role in providing guidelines and explanations on the importance of zakat to strengthen the conscience of the Muslims. Zakat administration is important as a way to ensure zakat collection and distribution are conducted effectively. Above all, zakat institutions rely on the collection of zakat fund from zakat payers. The fund received from the zakat payers will be distributed to eight groups of zakat recipients [known as asnaf] with the purpose of improving economic hardship of these group members. Therefore, zakat collections should be managed efficiently as it can positively affect the socio-economic of asnaf. The main objective of this paper is to identify the approaches used by zakat institution in managing zakat collection. The paper focuses on zakat institution in Kelantan. The Islamic Religious Council of Kelantan which is known as MAIK [*Majlis Agama Islam Kelantan*] is the first Islamic Religious Council established in Malaysia and thus, is expected to be an appropriate reference of zakat institution in managing zakat collection. Since the effectiveness of zakat institutions is highly dependent on zakat payers' support, implementation of various strategies should be implemented by zakat institutions to promote sustainability, effectiveness and efficiency within the zakat institutions. This study highlights various zakat collection strategies adopted by MAIK as a way to attract zakat payers to channel their funds. Finally, it provides insight for researchers and policy makers on the roles and functions of MAIK in managing the collection of zakat.

Introduction

Zakat is the third of five important pillars of Islam and plays a very important role in the lives of Muslims throughout the history of its existence. It is not a voluntary charity but an obligation of each Muslim. It is a form of worship which Muslims can purify their wealth, cleanses their heart and souls and give benefits to themselves as well as others. Zakat can be categorized into zakat on wealth [Zakat-UI-Maal] and zakat on individual [Zakat-UI-Fitr]. Zakat has a numbers of objectives that can be viewed in terms of social, moral and economic [1]. Socially, the objective of zakat is to distribute wealth from the rich to the eight categories of asnaf as stipulated in the Quran. The eight categories of asnaf are the poor and needy, the zakat institutions as an appreciation of its management, the slaves, the people who are in debt, the travelers who are stranded, the people who converted to Islam, and the people who work in cause of Allah S.W.T. Morally, zakat is a purification of one's heart and souls from greed and obsession for material wealth. While, economically, to balance the socio-economic amongst Muslim society.

The management of zakat was given to zakat institutions as to ensure that all eight eligible categories of zakat recipient have the same opportunities to receive zakat fund. The zakat management in Malaysia is under the supervision and responsibility of every state, which are the State Islamic Regional Council [SIRCs]. Overall, there are fourteen SIRCs established in Malaysia, where one for each thirteen states and one for the federal territory. These zakat institutions are responsible in zakat promotion, managing collection and distribution of zakat efficiently and organizing assistance to the poor and needy including other asnaf in accordance to guidelines prescribed by the Syariah [2]. The effective and systematic management of zakat will encourage and influence zakat institutions in improving the collection and distribution of zakat [3, 4].

In terms of zakat collection, although there are some improvements that have been made by zakat institutions from time to time to encourage zakat payers to pay zakat, nevertheless, Muslim society in Malaysia still in doubt about the efficiency of zakat collection and distribution by amil [the collector of zakat fund appointed by SIRCs] [5, 6]. Questions arises including their capability and ability in managing zakat collection and distribution. Therefore, there are some zakat payers who choose to distribute zakat directly to the asnaf [7]. One implication from this action is that zakat payment will not be recorded and excluded from total collection of zakat institutions. This situation will lead to bad impression towards the ability and capability of zakat institutions. The issue might arise due to misunderstanding of zakat payer over SIRCs functions and some might be due to the weaknesses from SIRCs itself [8]. For this reason, various strategies need to be adopted by zakat institutions to promote sustainability, effectiveness and efficiency within zakat institutions and accordingly to further gain the trust of zakat payers.

Zakat Collection in Malaysia

Historically, before 1990's, the collection of zakat was normally done during Ramadhan and harvesting seasons. At that time, amil is responsible to collect zakat individually and then distribute zakat collected to the rightful beneficiaries. Starting from 1990's, some collection of zakat was privatized. The management and administration of zakat in Malaysia is handled by the states through their respective Majlis Agama Islam Negeri [State Islamic Religious Councils [SIRCs]]. For instance, Zakat Collection Centre Wilayah Persekutuan Kuala Lumpur [established on January, 1991], Zakat Management Centre Penang [established on June, 1995], Pahang Zakat Collection Centre [established in 1996], Central Zakat Negeri Sembilan [established on January, 2000], and the Central Zakat Melaka [established on September, 2000] [9]. The reasons for privatization of zakat institutions in Malaysia are to increase the capability and enhance the effectiveness of zakat institutions in managing collection and distribution of zakat. In order to fulfill the responsibility to zakat payers and the recipients, it is crucial for zakat institutions to manage the zakat fund collected efficiently and effectively [10].

The issue that is considered important nowadays is the leakage problem, where there are still individuals who are reluctant to pay zakat through zakat institutions. Even though community has been informed of the weaknesses of direct payment method to asnaf [duplication, unevenness and unequal amounts] but still there are some individual who keep doing so. Various efforts have been done by zakat collection services such as awareness campaigns on zakat importance towards development of society and awareness on obligation to pay zakat but it did not significantly improve the zakat collections [3]. According to [8] the factors such as human resource, the used of ICT, corporate governance, corporation, number of reachable branches, collection point and claim point affect the efficiency of zakat management. They believed that although zakat institutions use a good system in managing zakat, if they fail to provide satisfaction and trust in zakat payer and helps the poor and needy, the inefficiency remain unchanged. In addition, [7] agreed that individual satisfaction towards efficient management of zakat institutions will encourage them to pay zakat to zakat collection center. Therefore, it is the role of zakat institutions to set effective and efficient strategies by utilizing all available facilities and technology to attract and educate zakat payers to pay zakat through the right channels.

Nowadays, along with the development of technology, zakat collection methods need to be improved. A new approach should be introduced for example auto-deduction from monthly salaries [8], online payment via various types of bank, and e-zakat system [11]. [2] agreed that zakat collection methods should be changed from traditionally waiting at the counter into new technology in order to promote and educate Muslim society to pay zakat. Thus, aim of this study is to identify the approaches adopted by zakat institution as a way to attract zakat payers to channel their funds. In addition, this study aims to provide insight for researchers and policy makers on the roles and functions of the zakat institution in managing the collection of zakat. Therefore, as the The Islamic Religious Council of Kelantan which is known as MAIK [*Majlis Agama Islam Kelantan*] is the first Islamic Religious Council established in Malaysia, thus, this study chose MAIK as an appropriate reference of zakat institution in managing zakat collection.

This conceptual paper uses data and information from previous research as the methodology to review this topic. It includes information gathered from articles, journals, books, statistics and annual reports.

Zakat Collection in MAIK

History and Background of MAIK. MAIK was established on 17 Safar 1334H corresponding to 24 December 1915 by a declaration of Sultan Muhammad IV as the Sultan of Kelantan during that time. The establishment of MAIK is to advise Sultan as the head of religion related to Islamic religious affairs and the Malay Custom of Kelantan. Kelantan was the first state in Malaysia that formed the Islamic Religious Council and this body played an important role in all matters pertaining to religion. To date, MAIK holds the status as the highest Islamic religious body in Kelantan. Additionally, it acts as the main body to all Islamic religious agencies established in the Kelantan state [12]. Now, the function of MAIK is not only limited as the advisee to the Sultan of Kelantan but also responsible in managing several areas of religious administration. The utilization of MAIK in managing the areas of religious administration can be seen through the formation of MAIK's three division namely Development Department, Management Service Department, and Islamic and Mosque Affairs Department.

Zakat Collection Unit. MAIK as the ultimate religious body in the state of Kelantan was established with the intention to centralise all religious administration at the state level, including the collection of zakat [13]. The collection of zakat in MAIK is managed by Zakat Collection Unit which is under the Development Department. The main agenda of the Zakat Collection Unit of MAIK is promoting zakat to the general public especially Muslims in Kelantan. The methods and strategies of zakat collection have been updated from time to time to encourage and facilitate Muslims to pay zakat on time, and also to make sure the mission of Zakat Collection Unit is achieved. To date, there are various methods

¹ Zakat Collection Unit's main mission is to strengthen and empower the Zakat collection campaigns in the state of Kelantan in concurrent with the Syarak legislation which requires Muslims to pay Zakat.

introduced by MAIK in enhancing zakat payer in paying zakat. The methods² are:

- a. **Zakat payment counters at MAIK's office.**
MAIK provides zakat payment counters at its building to ease its customer to pay zakat. The payment methods can be in a form of cash or cheque, bank draft, debit card or credit card. Official receipt will be given to the customer upon payment.
- b. **Zakat payment at post office counters.**
Payment can be made at the counter of Post Malaysia Berhad offices in Kelantan where the zakat payment forms are provided there.
- c. **Zakat payment by post through Pos Malaysia Berhad.**
Zakat payer can make payment by posting a cheque or money order in the name of MAIK together with the payer's details i.e. name, identification card number, address, phone number and types of zakat payment. Once received by MAIK, official receipt will be sent to the payers by post.
- d. **Zakat payment through salary deduction scheme.**
This method is introduced to encourage government servants and private sector employees to pay zakat through monthly salary deduction. In line with the technology advancement, the interested employees can request for salary deduction through online system provided by their institutions. The advantage of this scheme is the payer can make payment through installment and will ease the burden of payer in paying zakat.
- e. **Zakat payment through external zakat counters.**
Zakat Collection Unit is taking initiative by opening zakat payment counters at selected strategic location around Kota Bharu such as at shopping malls, airport, and hotels.
- f. **Zakat payment through BIBM [Bank Islam Malaysia Berhad] account.**
Payer needs to fill up the bank slip provided to deposit the money to MAIK's account number. After the transaction is done, the payer needs to send to MAIK a copy of the bank slip together with the payer's personal information. Upon receiving the bank slip, an official receipt will be mailed by MAIK to the payers.
- g. **Zakat payment through internet banking.**
MAIK also collaborates with eight financial institutions [RHB Bank, CIMB Clicks, Bank Islam, Maybank2u, Ambank, Bank Rakyat, Affin Islamic and Standard Chartered] to ease zakat payers to make payment through internet banking facilities.
- h. **Zakat payment at Zakat Collection Mini Centers.**
To date, there are 13 zakat collection mini centers of MAIK which are located in every district of Kelantan state. These mini centers help MAIK in facilitating the residents to pay zakat either through the counters or kiosks provided.
- i. **Zakat payment through 'e-Zakat payment' scheme.**
This method was introduced in 2011 which in line with the current technology advances. Through e-Zakat payment, MAIK's customers can make payment online at MAIK's portal [www.e-maik.my] by using two devices either credit card or debit card.
- j. **Provide Mobile Zakat counters.**
The peripatetic counters have been introduced in 2015 by MAIK in order to make it easy for zakat payers to make payments. The idea of having the mobile zakat counters is to join and execute zakat promotion during occasions at public premises such as school open day, public and private agencies open day, university's convocation, carnival and exhibition.
- k. **Zakat payment counters at UTC, Kota Bharu.**
In 2016, MAIK's zakat payment counters are starting operated at the Urban Transformation Center [UTC] which is open every day [except public holiday] from 8.30 a.m. to 10.00 p.m.
- l. **Zakat Payment through MyMAIK e-Zakat Payment Application.**
Starting from 2017, zakat payers can use MyMAIK e-Zakat Payment application through their smart phones. The application can be downloaded through google-play.

Besides the diverse methods of payment in encouraging people to pay zakat, various strategies have been implemented by MAIK to create awareness among Muslims to carry out their responsibilities in paying zakat. The strategies³ are:

- a. **Organizing seminar and talks about zakat.**
Zakat seminars on various issues such as zakat for business, co-operative societies and paymasters are continuously held to fulfill different needs such as financial management, human resource management and businessman to raise awareness on the responsibility towards zakat. For instance, in February 2018, MAIK in collaboration with Lembaga Hasil Dalam Negeri Malaysia is organizing a Seminar on Zakat and Income Tax. This seminar serves as a platform to create awareness and to educate the society about zakat and income tax. Besides seminars, Zakat Collection Unit has conducted talks about zakat as their routine. The zakat talks are normally delivered by the authorized officers at selected offices, business premises, cooperative offices and schools.
- b. **Comfortable and attractive office environment with various facilities provided.**
The establishment of comfortable service counters has helped to increase the presence of zakat payers. To add, the user-friendly and corporate looking staff who are ever willing to assist zakat payers has also boosted the image of the institution
- c. **Services on zakat estimation and assessment to individuals and companies.**
MAIK has introduced numerous services with the objective of encouraging the public to make queries pertaining to zakat related matters. This institution welcomes initiatives by the public to organize consultation sessions such as on methods of zakat estimation and assessment especially for those who have problems coming to MAIK service counters.
- d. **Promotion and advertisement through media.**
The strategies are implemented in order to promote public awareness to encourage the community to pay zakat. This is carried out by spreading information in a form of print media [newspaper and magazine], billboards, electronic voice [radio], text messages and broadcast media. Promotion on plan activities of Zakat Collection Unit and reading materials about zakat for the public can be done through the above listed media channels as well as through media social such as Instagram and Facebook.
- e. **Zakat operation and zakat campaign.**
In this two methods, zakat officers will move as a team and station themselves at strategic places such as lobbies of commercial buildings and government offices, housing areas and business premises to distribute pamphlets and zakat forms to the public.
- f. **Publication of reading materials.**
Publish reading materials such as magazines [*Buletin Zakat MAIK*], articles, and books about zakat and MAIK. People can get these free materials at MAIK's office. Besides that, MAIK also takes an initiative by posting the *Buletin Zakat* magazine to the zakat payer as a means to inform the public about MAIK recent activities and also as a strategy to remind them to pay zakat in time. By providing this information, zakat payer will get some information on how their zakat has been managed.
- g. **Exhibition.**
This method is implemented through participations in carnivals or exhibitions organized by the state or other relevant agencies.

The implementation of various zakat collection methods by MAIK were found effective as the collection of Zakat fund for Kelantan state manages to reach up to RM170.89 million in the year 2017. Table 1 displays the amount of Zakat collection from year 2010 to 2017 that shows an increasing amount from year to year. A credit must be given to the Zakat Collection Unit of MAIK for their efficiency and effectiveness in managing the Zakat collection fund. Despite the positive impact on Zakat collection, there are still rooms for improvement. Due to this reason, Zakat Collection Unit of MAIK keeps updating their strategic planning for every four years. This is to ensure that they can cope with the changes in the globalization era by upgrading the current technology facilities for the convenience of Zakat payers. To achieve this strategic planning goal, Zakat Collection Unit must act more proactively to identify potential Zakat payers from individuals or companies as an approach to increase Zakat collection.

² Information is taken from MAIK's Annual Report 2013 [14], MAIK's official website portal, and [15].

³ Information is taken from 'Four Years Strategic Planning of MAIK's Zakat Collection Unit Report' and [15].

Table 1: Total collection of zakat in Kelantan from 2010 to 2017

Year	Total Collection (RM)	Year	Total Collection (RM)
2010	70,373,329	2014	144,552,321
2011	94,083,476	2015	161,814,899
2012	113,163,005	2016	162,674,943
2013	134,150,727	2017	170 890 000

Challenges in Managing Zakat Collection

Generally, the revolution of zakat institution in Malaysia has contributed to improvement in various aspects such as human capital, usage of technology, corporate governance and many others. Although the improvement shows the development of zakat management is getting better and zakat institutions show various efforts in ensuring the fund collected reach the beneficiaries, but still problems rose up such as leakage and lack of zakat fund [6]. Zakat institution should find other approaches in attracting and educating zakat payer to pay zakat through zakat institution in order to prevent other problem arise such as duplication recipient and unequal amount of zakat received between asnaf. Zakat payer should be informed that there is a necessity to consider for having a centralized zakat distribution in Malaysia so that the zakat funds can be distributed equally.

There are few difficulties faced by MAIK in the process of collecting and distributing zakat. The major issue is the attitude of zakat payers who prefer to distribute zakat directly to the poor and needy. The phenomenon of self-distribution is not only practiced among individuals but also among large companies [16]. According to [17], the reason why people pay directly zakat to asnaf is due to some religious scholars who have confused the people by putting forward the idea that the payment of zakat should be given directly to the needy rather than through the government. As such, some of zakat payers do not trust the official zakat machinery as the right channel for managing their zakat, thus, would opt for self-distribution of zakat.

The other zakat issue is about tax rebate which becomes an attractive incentive to pay zakat. Currently, rebate on zakat income is enjoyed by individual taxpayers as an incentive to encourage them to pay zakat without feeling burdened. Adversely to the corporations where in the absence of zakat rebate for business, corporate entities have to pay twice which is both taxes and zakat. Yet, some of the companies are more likely to pay taxes rather than zakat because tax is mandatory and failure to do so will result in facing legal suit.

Suggestion for Improvement

There are rooms for improvement for MAIK and other zakat institutions in the idea of handling the challenging issues. To overcome the problems of self-distribution, greater promotion and awareness campaigns on zakat payment to the right channels can be used. Zakat institutions need to give explanation to the society about the benefits and importance of paying zakat to the entrusted body. According to [18] findings imply that zakat institutions should focus on intensification the efficiency of their institutions to increase the trust level among zakat payers. In doing so, the zakat payers are driven to pay zakat diligently, thereby ensuring the sustainability of zakat institutions particularly in developing countries such as Malaysia [18]. Therefore, zakat institutions should have integrity in publicizing information pertaining collection and distribution of zakat to the public. This can ensure the reliability and truthfulness of the people involved with zakat management with no leakage or dropout during zakat distribution to the rightful asnaf [19]. Thus, the level of confidence from the society can be upgraded towards zakat institutions and the society will have an affinity to pay zakat through zakat institutions compared to paying directly to beneficiaries.

Conclusion

The findings of this study contribute to the existing body of knowledge on zakat collection approaches adopted by MAIK. The study assists zakat practitioners in achieving their objective to increase zakat collections. Thus, practitioners can enhance their understanding on how to manage the institution strategically for improving zakat collections. The improved zakat institutions can ultimately assist the institutions to achieve zakat goals in serving beneficiaries as well as the economic objectives.

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