



ZAKAT AS A POVERTY REDUCTION MECHANISM AMONG MUSLIM  
COMMUNITY IN MALAYSIA

NOR SAFARINA BINTI LAMAT

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## ABSTRACT

*Zakat* is an old institution that was first established by the Prophet Muhammad S.A.W. as the third pillar of Islam (Theodossiou, 2015). In Malaysia, *zakat* act as one of the essential economic role in reducing poverty, whereby every *zakat* institutions from every state provide and invented particular schemes and aids given to eight disadvantages group of community in Malaysia. Basically, *zakat* system can be divided into two, which are *zakat* collection and *zakat* distribution. Both *zakat* collection and *zakat* distribution are very essential in implementing programmes to reduce poverty. *Zakat* fund should be collected and distributed to the right recipients or *asnafs* as it always shows the ability of the *zakat* institutions in managing the fund. The purpose of this study is to determine the relationships between *zakat* collection, *zakat* distribution, GDP Per Capita and poverty incidence. This research employs quantitative method of Multiple Linear Regression and detailed analysis of the relevant literature. The finding of this study would provide useful information to the Muslim community, *zakat* institutions and even the Government of Malaysia. This study will precisely measure on the relation of *zakat* imposed towards level of poverty in Malaysia and it is proven that *zakat* act as one of the mechanism that can be used as a parameter in alleviate poverty in 14 states in Malaysia through their efforts in varieties types of schemes and aids invented.

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## CHAPTER 1 INTRODUCTION

### 1.1 Introduction

Poverty is a crisis that attracts human concern in every society and country throughout the centuries. Poverty may impact social justice and economic of a country as a whole. Fortunately, Muslim country such as Malaysia and Pakistan with the employment of *zakat* may at least reduce the poverty. This research was conducted to identify whether *zakat* could alleviate poverty incidence among Muslim community in Malaysia. This chapter will briefly discuss the background of the study, problem statement, research objective, research question, and significance of the study, scope of the study, limitations and definitions of terms used in this research.

### 1.1 Background of study

According to *Al-Qaradawi*, *zakat* is an act of worship that not only reflected in the payment of a substance poverty, but also involving spiritual and property purification. In *Surah at-taubah*, verse 103 stated that “Take (O, Muhammad) from their wealth a charity by which you purify them and cause them increase, and invoke (Allah’s blessings) upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing”. From the verse, scholars interpreted that part or 2.5% from the wealth should be taken for charity and will be distributed to the misfortunate group of Muslim. *Zakat* plays important roles and stand as compulsory alms for the Muslim and it is known as one of the pillars set by Islam. The implementation