

# The Role of *Zakat* In Islamic Banking Institutions In Developing The Economy of The Poor and Needy In Malaysia

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## Abstract

**Objective:** Based on the report of the Malaysian *Zakat* Management, business *Zakat* records among the highest collection from the total *Zakat* collection. Islamic banking institutions in Malaysia serves as the main contributor to business *Zakat*. In Malaysia, there are 17 banks doing trade and investment based on Syariah. Therefore, this article will examine the role of business *Zakat* in Malaysian Islamic banking institutions in developing the economy of the poor.

**Methods:** This study uses the library study method. Among the reading materials that have been referred include those materials related to the poor, the policy approach formed from selected banks namely Bank A and Bank B, the statistical report of the Islamic banking institutions *Zakat*, websites on the background of the bank sample and so on.

**Results:** As a general guideline in building a framework, through *Zakat* distribution management in Islamic banking institutions method which is in terms of the policy and regulations. Beside that, this research also focuses on the Islamic banking institutions concern in helping the poor and needy to enhance their lives and also the forms of assistance given to them.

**Conclusion:** It is hoped that this study will be able to become a platform in the brainstorming of several ideas as to ensure that the *Zakat* management in Malaysian Islamic banking institutions to become better-arranged and effective other than making sure that the *Zakat* money given to those who deserve them can really achieve the goals that have been determined in Islam.

*Keywords* : Business *Zakat*, Islamic Banking Institutions, Economy, The Poor

## Abstrak

**Tujuan** - Berdasarkan Laporan Manajemen Zakat Malaysia, zakat perniagaan tercatat di kutipan tertinggi dari keseluruhan kutipan zakat. Institusi perbankan Islam di Malaysia merupakan satu badan yang menjadi penyumbang utama kepada zakat perniagaan. Di Malaysia, terdapat 17 buah bank yang menjalankan perniagaan dan investasi berdasarkan Syariah. Oleh karena itu, artikel ini akan mengkaji peranan zakat perniagaan di institusi perbankan Islam di Malaysia dalam mengembangkan perekonomian masyarakat fakir dan miskin.

**Metode** - Kajian ini menggunakan metode studi kepustakaan. Di antara bahan bacaan yang dirujuk adalah bahan-bahan yang berkaitan dengan fakir dan miskin, pendekatan kebijakan yang dibentuk oleh bank terpilih yaitu Bank A dan Bank B, laporan statistik zakat institusi perbankan Islam, website mengenai latarbelakang sampel bank pilihan dan sebagainya.

**Hasil** - Sebagai pedoman umum dalam membangun kerangka kerja, melalui manajemen distribusi zakat yang metodenya merujuk pada kebijakan dan peraturan lembaga perbankan syariah. Selain

itu, kajian ini juga akan berfokus bagaimana institusi perbankan Islam membantu fakir dan miskin dalam meningkatkan taraf kehidupan mereka dan bentuk-bentuk bantuan zakat yang diberikan.

**Kesimpulan** - Kajian ini diharapkan dapat menjadi platform dalam mencetuskan beberapa ide untuk memastikan bahwa tadbir (pengelolaan) zakat di institusi perbankan Islam di Malaysia lebih teratur dan berkesan di samping memastikan uang zakat yang diberikan kepada asnaf benar-benar dapat mencapai tujuan (matlamat) yang ditetapkan dalam Islam.

Kata Kunci: Zakat Pemiagaan, Institusi Perbankan Islam, Ekonomi, Fakir dan Miskin

## 1. Introduction

*Zakat* management in Malaysia has begun since the pre-colonial era. *Zakat* management at the time, was not handled properly yet and *zakat* payers will make their payment to the ustaz or religious teachers (who functioned as '*amil*') and they would distribute the money to *asnaf* deemed qualified. This shows that the tax payers are very confident with the teachers who also serves as their '*amil*' at the time. Personal characteristics of the *ustadz* and teachers back then had become the basis to this profound confidence and satisfaction as '*amil*' (Ghazali, 1988).

In the colonial times, the management of *zakat* was placed under the authority of the Religious and Malay Customs Council. In every village, *zakat* collection was done by the imam of the village and the collection handed over to the government as the financial resource for Islamic management. *Zakat* payment through the imam of the mosque is also showing evidence that people had faith in the personality of the imam and believed that he can handle the *zakat* well (Ghazali, 1988).

At this time, the authority of *zakat* management is placed under every state and the authority under the Head of Islam of the respective state. In Malaysia there are 14 states whereby the DYMM Sultan or King or the *Yang Di-pertuan Besar* is the Head of Islam and Malay customs (*Yang Di Pertuan Agong* is the Head of Islam for states that have no sultan) and the state's Islamic council (MAIN) is a body founded under the Islamic Administration Enactment approved by the State Assembly, held accountable in providing services to the DYMM Sultan to manage affairs pertinent to Islam. This

indicates that the collection and distribution of *zakat* are under the jurisdiction of MAIN on behalf of the Sultan (Ghazali, 1988).

There are several states which have privatized their *zakat* institutions like Selangor, the Federal Territory of Kuala Lumpur, Pahang, Pulau Pinang, Melaka and Negeri Sembilan. This privatization is done to ensure that *zakat* management can render quality services to maximize customers' satisfaction through professional approach, the use of the latest technology that leans on Islamic values. This will gradually ensure that there is efficient *zakat* management according the Islamic values. Such a role needs to be consistent with the existing characteristics of the institutions namely fair, not deviant and is efficient in its management.

In general, *zakat* are divided into two types- *zakatal fitr*' and *zakat* of property. Nowadays, the latter serves as the largest contributor in the total yearly collection in Malaysia. The *zakat* of property come in business *zakat*, *zakat* of income, of gold and silver, of livestock, of crops and of minerals (*al-rikaz*). Based on the *zakat* Report of PPZ-MAIWP 2010, the total collection for business *zakat* is among the highest as compared to *zakat* of other types. This is because most sharia-based business companies are developing, and begin to penetrate the foreign market so much so that the businesses have become very lucrative. This automatically causes the increase in the business *zakat* production from year to year.

One of the institutions and companies doing business based on the sharia principles would be the Islamic banking institutions. In Malaysia there are 17 Islamic banking institutions which operate their business and investment with close adherence to the *shara*'. Such a development is interesting due to the fact that the profit they gain has opened doors for them to pay off their *zakat* according to terms and conditions. Based on early observations, researcher finds that there are three methods of *zakat*-paying in Islamic banking institutions in Malaysia. The first method: Payment of *zakat* paid directly

to the *asnaf* (people who are entitled to receive *zakat*), The second method: Payment of *zakat* made directly to the *zakat* Center or the State Islamic Council and the third method: some of the *zakat* are given to the *zakat* Center and some others given directly to the *asnaf*. The approach made by the Islamic banking institutions in Malaysia differs from one another in terms of their distribution of *zakat*. However, these differences are not a great issue as long as they are committed to their duty as the payers of business *zakat*. The table (1) that follows shows the total amount of *zakat* paid by several Islamic banking institutions in Malaysia:

Table 1: Total Amount Of Business *Zakat* Paid By Islamic Banking Institutions

<i>Bank</i>	<i>Year</i>	<i>Total amount of Zakat paid</i>
The Maybank group (Sumber: <i>Zakat.com.my</i> )	2009	7.12 million
Affin Merchant bank (Sumber:ppz)	2004	510,911
Bank Rakyat (Selangor) (Sumber: BH, 29 Jun)	2010	3.6 million
Bank Rakyat (Kuala Lumpur) (Sumber: PPZ-MAIWP)	2010	2.765 million
AmIslamik Bank (Selangor) (Sumber: LZS)	2010	44,000
Bank Muamalat (Selangor) (Sumber: LZS)	2010	120,000
Agro Bank (Kedah) (Sumber: JZNK)	2010	35,846

As the table above suggests, the amount of *zakat* paid by the Islamic banking institutions is very high. If we bring together all the collections from the Islamic banking institutions in Malaysia, the total amount will be great. We need close attention and very careful management as to ensure that the fund will get to be distributed and used by those entitled as determined in the Quran.

This is what draws the researcher to the investigation of *zakat* management in Islamic banking institutions in Malaysia and their role in developing the economy of the poor<sup>1</sup> and needy<sup>2</sup>. The researcher will use two samples in this study, namely Bank A and Bank B selected among Islamic banking institutions in Malaysia based on the information obtained. This study adopts two study methodologies, which are library study and field study. To achieve the objective of the study, researcher uses two sources of information as the basis of the study, which are the primary data and secondary data.

Primary data were obtained from the field study, where researcher looks into the population or sample by way of interviewing the Executive Officer of Islamic banking in forming a guideline in their role of helping the Muslims, especially those in need in Malaysia through the business *zakat* that have been contributed.

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<sup>1</sup> Poor is one who does not have any property or halal occupation or those receiving income not reaching 50 % from daily needs and his sustenance according to moderate measurement of life. There are 4 criteria of poor asnaf in Malaysia namely Islam, Malaysian citizens, live permanently in the particular state and there is no income or property achieving half of haddul kifayah or income less than 50 % of haddul kifayah. The fourth criteria is subject to 4 conditions, namely: due to old age, physically unable, alone, disabled or simply has no capability to live. Secondly: due to the lack of support like widows, single mothers, divorcees, abandoned wives and wives whose husbands are in prison. Thirdly: for wives whose husbands are involved with AIDS and HIV or drug addiction or suffering from chronic diseases. Fourth: Other similar things. (*Zakat Management Distribution Manual: 2009*).

<sup>2</sup> Needy is one who has property or income more than 50 % but not achieving haddul kifayah for basic needs for himself and those under his care. There are 4 criteria of needy asnaf in Malaysia namely Islam, Malaysian citizens, living permanently in the given state and having occupation or income more than 50 % but not achieving haddul kifayah. The fourth criteria are subject to four aspects: due to old age, physically unable, being alone, disabled or no capability to support himself. Secondly: people who lack support or are abandoned, single mothers, divorcees, abandoned wives and wives whose husbands are in prison. Thirdly: wives whose husbands are involved with AIDS and HIV or drug addiction or suffering from chronic diseases. Fourth: Other similar cases (*Zakat Management Distribution Manual: 2009*).

Secondary data had been gathered from the library study. Among the reading materials that have been referred include those materials related to the poor, the policy approach formed from selected banks namely Bank A and Bank B, the statistical report of the Islamic banking institutions *zakat*, websites on the background of the bank sample and so on.

## **2. Methodology**

This study uses the library study method. Among the reading materials that have been referred include those materials related to the poor, the policy approach formed from selected banks namely Bank A and Bank B, the statistical report of the Islamic banking institutions *Zakat*, websites on the background of the bank sample and so on.

### *2.1. Zakat Production by Islamic Banking Institutions in Malaysia*

In Malaysian practice, zakat are paid directly to the State Center or Baitulmal, the State Islamic Council. However, there are also corporate bodies in general and banks in particular, which distribute the zakat directly without having to go through the zakat center or baitulmal. Normally, banks will issue the zakat based on the annual profit they gain and they will pay directly to the zakat centers or baitulmal in the State Council. Nonetheless, the banking institutions also pay zakat directly to the *asnaf* through government and non-government agencies.

#### *2.1.1. The Background of Bank A*

Bank A is an Islamic banking institution which began operation through its introduction of the Islamic Window since 1994, whereby for almost 16 years, this bank has embarked in some investment activities that lean on the Syari'a under the Ministry of Finance. Among the objectives of the foundation are to encourage wise savings, investment and financial management among Malaysians to enhance their quality of life. This bank will continue to increase its services expand its banking facilities for customer

convenience. Its main products include Personal Loan, Housing Loan, Certificate Savings Premium (SSP), Islamic Banking Scheme, and Mastercard .<sup>3</sup>

The method of Bank zakat production is based on the policy determined and the Zakat Management Committee will decide on the distribution of zakat as follows:

- a. Not less than 50 % are contributed to the Zakat Centers in the states in Malaysia.
- b. An amount, not exceeding 40% will be allocated to all state centers to be distributed to the group of asnaf certified by Zakat centers in respective states.
- c. The remaining of Zakat and allocated money that are yet to be distributed and not used until 31 July will be placed at the Islamic Banking Department and used for paying Zakat to asnaf identified by the Management (The Policy of Determination and Distribution of Zakat of the Islamic Banking Scheme, for Bank A: 2009).

### *2.1.2. The Background of Bank B*

Bank B has been operating since 2006 and has begun business for almost seven years. This banking does full-fledged Islamic activities, offering Islamic Banking services which include various entrepreneurial and Consumer banking fields. It also has a complete network of the Islamic Banking products in line with the rules and regulations of Islams .<sup>4</sup>

This bank advocates paying zakat directly to the asnaf. As this does not raise any issue among the *ulama* (thespians), then it is set to continue- what remains to be important is that the zakat is brought to implementation and the asnaf can benefit from this. Centralising on the policy established at respective banks, they are then confirmed to have the right to distribute the business Zakat according to the predetermined policy.

<sup>3</sup> ([http://en.wikipedia.org/wiki/Bank\\_Simpanan\\_Nasional](http://en.wikipedia.org/wiki/Bank_Simpanan_Nasional) accessed on 10 April 2013)

<sup>4</sup> ([www.affinislamic.com.my](http://www.affinislamic.com.my) accessed on 8 April 2013).

### 3. Result

#### *3.1. Zakat Management Policy In Banking Institutions*

Every bank has their own zakat policy and regulation of which, has become a guideline for them in handling the money. This policy will seek to ensure that the Zakat are paid systematically and that all matters are transparent and dealt with in all fairness.

##### *3.1.1. Bank A's Zakat Policy*

Basically, all affairs with regards to zakat distribution in this bank centralise on the Zakat Policy and Regulations issued by the Bank as a guideline for the Zakat Management Committee. The policy is named 'Islamic Banking Scheme's Zakat Distribution Determination and Distribution Policy' which contains information on policy introduction, the aims, definition and scope, membership, Zakat-paying process, calculation and evaluation, terms and criteria of distribution and tax implications. This centralised policy is pivotal to the Committee as it serves as a guideline for them in distributing money to the 'right' asnaf and ensuring that the money is not taken out from the fund for no apparent reason. (Islamic Banking Scheme's Zakat Distribution Determination and Distribution Policy of Bank A, 2009)

This banking institution is very committed in fulfilling Islam's requirement by perceiving that the initiative done is not only to fulfill their social responsibility, but also as to commit to the bank's community agenda. This policy is very much important as the total amount of Zakat that needs to be paid increases from year to year. Clear instructions are also important to enable Bank Zakat management to be done smoothly, transparently and systematically.

The policy formed seeks to become a guide and a set of operational regulations as to calculate the total amount of the money and distribute it under the Islamic Banking Business Property Zakat of this bank. Other than that, it enables this bank to become a



corporate institution which performs banking activities which adhere closely to Syari'a, implements responsibilities following Shara' and relays its religious activities to the community at large. It is also becoming a point of reference to the Islamic Banking Department (JPI) to handle issues related to the Business Property Zakat administration.

This policy outlines several conditions: a) The rules and regulations that must be followed when carrying out the Business Property Zakat of this bank, b) The method that will be adopted in calculating the amount of business property that need to be paid c) The terms and criteria, principles and the manner in which Zakat is distributed in this bank, and d) the responsibilities of the parties concerned and the measures adopted by this bank in handling this type of Zakat.

As Zakat payment involves property distribution and financial resources done by the bank, approval from the Zakat Management Committee is crucial prior to the distribution. This endorsement is a way to take a close look at the way the distribution is made, so that it can be implemented according to syara' and so that it is done in transparency, whereas the recipients of the money and the total amount of Zakat that they will receive need to be monitored and given the green light by this committee. (Bank A's Zakat Distribution Determination and Distribution Policy, 2009).

The Zakat Management committee is joined by Muslim members comprising of the Chief Manager, Shari'a Committee Chairman, Deputy Manager, a Director appointed by the Chief Manager and the Director of JPI (Bank A's Zakat Distribution Determination and Distribution Policy, 2009).

### *3.1.2. Bank B's Zakat Policy*

Bank B's Zakat distribution is based on a policy issued by Bank B and named as 'Bank B's Zakat Policy'. This policy contains some information concerning introduction to zakat, the duty to issue zakat extracted from al-Quran and Sunnah, terms and conditions in issuing zakat, the principles of distributing zakat, the rightful individuals or

recipients of zakat, criteria of asnaf, the meaning of *haddul kifayah*, general terms for applying for zakat, zakat distribution scheme, calculation and formula of distributing zakat, general rules and the terms and conditions also documents needed from applicants. There are 15 principles adopted by Bank B in its distribution of Zakat such as fidelity, honesty, trust, relevant, complete, particular, *haddul kifayah*, separated, prudence, supervision, responsibility, sufficient information, immediately, nomination, right and also priority (Bank B's Zakat Policy, 2011).

This policy also explains about individuals who are entitled to receive Zakat. There are 7 categories of people deemed qualified to receive Zakat, namely the poor, the needy, *muallaf*, *gharimin*, *fisabilillah*, *riqab* and *ibnu sabil*. Other than that, the policy of Bank B also elaborates clearly on the Zakat distribution scheme to this asnaf. This scheme covers the forms of assistance given to the asnaf such as monthly food expenses, monthly food aid, school fee aid, studies scholarship, emergency aid, health and medical support, individual/group home construction, home renovation aid, eid gifts, training/workshop, and capital aids for those wanting to start a business, involving fishery, livestock and agriculture. Every assistance is explained in further detail in Bank B's policy in terms of the objective of the assistance, the category of asnaf concerned, also the terms and conditions that need to be adhered to as to render them qualified to receive the assistance (Bank B's Zakat Policy, 2011).

This bank's policy also touches on some general regulations and the conditions which need to be adhered to by both the administrators and applicants. The Zakat department is held accountable to follow this policy and propose applicants' names qualified to the bank's members of the Board of Director for endorsement. This department is also responsible in submitting a half-year report pertinent to Zakat distribution to the shari'a committee for notification. This policy is also subject to change

according to some urgent needs and it depends on the approval of the members of the board and the shari'a committee (Bank B's Zakat Policy, 2011).

In brief, the policy of Bank B is the right of the bank, where it outlines a) the rules and regulations that need to be followed in implementing Zakat distribution b) The method that will be used in calculating the amount of business Zakat that need to be paid, c) The terms and criteria, the principles and the way the Zakat is disseminated, and d) the responsibility of the parties concerned and the measures they need to undertake in the management of Zakat. Based on the researcher's analysis, the form of policy is seen to be similar to the Zakat Distribution Management Manual issued by the Jawhar and Malaysian Zakat Guideline released by Jakim. It is obvious that the Zakat policy provided, is relevant to be adapted for more systematic management in zakat distribution for asnaf in Malaysia.

### *3.2. Method Of Distribution To The Poor And Needy And The Form Of Assistance Provided.*

#### *3.2.1. Bank A'S Method*

Bank A distributes Zakat to those who are eligible, especially those who are in need and are poor, according to the policy established. When the Bank is made certain of the amount of Zakat that need to be released, the Bank will distribute not less than 50% from the total amount of Zakat to the state Zakat centers in Malaysia. Meanwhile, not more than 40 % will go to all state branches to be distributed to the asnaf groups acknowledged by the Zakat Centers or the State's Islamic council (Zakat Distribution Determination and Distribution Policy of Bank A, 2009).

Based on the existing policy, the rightful recipients are those described in the Quran verse 60 namely the needy, the poor, amil, Muslim converts (Muallaf), liberating slaves (Riqab), debtors (gharimin), fighters for the Cause of Allah (fi sabilillah) and

travellers in difficulty or hardships (ibni sabil). Those defined as the needy are those who do not have fixed income, whereas the poor is perceived as those who work but still incapable of supporting himself or herself and the people under his or her care.

Nevertheless, the remaining of the Zakat self-managed by the bank will be placed first in the hands of the ones who need money the most, such as children who have no parents, whereby their welfare is managed by orphanage carers or owners. This also includes poor single mothers. Priority is also given to the efforts in creating sources of income like purchasing of equipment and the provision of facilities for small-scale businesses (Zakat Distribution Determination and Distribution Policy of Bank A, 2009).

No fixed amount of money is decided on applying asnaf or when the Zakat are given directly to them. The amount of money given follows the applications received and having taken into account the needs for such applications. Sometimes, the amount of money given is more than being applied and vice versa, after careful consideration and evaluation are done.

The form of Zakat also follows the needs for applying where the application is made to maintain daily expenses and so on. The money is given in the form of cash or cheque. Among the large-scale Zakat-giving that has been committed by the Bank is the provision of a Van for the deceased for mosques totalling 14 and its collaboration with TV3's "Bersamamu" where the Zakat recipients are entitled to receive Zakat money of RM2,500. Other than that, the Bank also gives zakat to UITM and UIAM in support of the programs organised, repairing the mosques, orphanages, schools and Perkim building for muallaf and various others.<sup>5</sup>

Let us look at the table (2) below where we provide some details on how an application is assessed and given marks, to determine if an applicant is qualified or not qualified to receive zakat.

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<sup>5</sup> Interview With Senior Executive, Islamic Banking Department, Bank A dated 2 December 2011 in Kuala Lumpur

Table 2: The Marking Scores Of Zakat Recipients

ITEM	DETAILS	MARKING	FULL MARKS %
Van	1. Area - min. 3,000 people 1.1 Less than 3,000 1.1 less 3,000 1.2 3,000 up to 4,999 1.3 5,000 and above	5 10 25	25
	2. Have an account 2.1 not having an account 2.3 having an account 2.3 having a Giro-i/ Ahsan account	0 5 15	15
	3. Location 3.1 town 3.2 suburb	10 15	15
	4. Having a van 4.1 having a van (van is less than 7 years) 4.2 having a van (van is more than 7 years) 4.3 not having a van	0 10 15	15
	5. Registered 5.1 unregistered mosque / prayer house 5.2 registered mosque / registered prayer house	10 15	15
	6. Distance between one mosque to another 6.1 Less than 5km 6.2 5km to 9km 6.3 10km to 49km 6.4 50km and above	0 5 10 15	15
<b>OVERALL TOTAL</b>			<b>100</b>
Mosque / Prayer house	1. Purpose 1.1 mosque activities (speaker fees, quran recital classes, etc) 1.2 mosque/prayer house repair work 1.3 construction of mosque/prayer house	5 10 20	20
	2. Having an account 2.1 Not having an account 2.3 having an account 2.3 having a Giro-i/ Ahsan account	0 5 20	20
	3. Location 3.1 town	10	20

	3.2 suburb	20	
	4. Area - min. 2,000 people		
	4.1 Less than 3,000		
	4.1 less 2,000	5	20
	4.2 2,000 to 4,999	10	
	4.3 5,000 and above	20	
	5. Registered		
	5.1 unregistered mosque	10	20
	5.2 registered mosque	20	
<b>TOTAL</b>			<b>100</b>
Association / Organisation (Example: PERKIM, Welfare Association for New Muslims, Women Development Council, Family and Community, and others)	1. Purpose		
	1.1 construction of welfare homes	5	
	1.2 welfare homes repair work	10	20
	1.3 daily needs	20	
	2. Having an account		
	2.1 Not having an account	0	
	2.3 having an account	5	20
	2.3 having a Giro-i/ Ahsan account	20	
	3. Location		
	3.1 town	10	20
	3.2 suburb	20	
	4. Number of people - min. 50		
	4.1 less than 50	5	
	4.2 50 - 99	10	20
	4.3 100 and above	20	
5. Registered			
5.1 Unregistered	10	20	
5.2 registered	20		
<b>TOTAL</b>			<b>100</b>
Center / Home / Association (Examples: Orphanage and Home for the Poor, Old Folks' Home, Single Mothers' Association and others)	1. Purpose		
	1.1 construction of homes	5	
	1.2 home repair work	10	20
	1.3 daily needs	20	
	2. Having an account		
	2.1 Not having an account	0	
	2.3 having an account	5	20
	2.3 having a Giro-i/ Ahsan account	20	
	3. Location		
	3.1 town	10	20
3.2 suburb	20		
4. Number of people - min. 30 people			
4.1 less than 30 people	5	20	
4.2 30 - 99 people	10		

	4.3 100 and above	20		
	5. Registered			
	5.1 unregistered homes	10	20	
	5.2 registered homes	20		
<b>TOTAL</b>			<b>100</b>	
Individuals (applications through the authority) (Example of Authoritative Figures: State Islamic Council Prime minister's Department, Society Welfare Department, Malaysia Islamic Development Body, Government agencies, Certified bodies and others)	1. Purpose			
	1.1 construction of homes	10	25	
	1.2 homes repairwork	15		
	1.3 daily needs	25		
	2. Having an account		25	
	2.1 Not having an account	0		
	2.3 having an account 2.3 having a Giro-i/ Ahsan account	5 25		
	3. Location		25	
	3.1 town 3.2 suburb	15 25		
	4. Registered		25	
	4.1 elligibility confirmed by the authority 4.2 not being confirmed	15 25		
	<b>TOTAL</b>			<b>100</b>
	Schools / Learning Institutions (Examples: National Schools, Secondary schools, Public religious schools, Tahfiz, Madrasah, Public and private Higher Learning Institutes and others)	1. Purpose		
		1.1 construction of schools	5	20
		1.2 school repairwork	10	
		1.3 daily needs	20	
2. Having an account			20	
2.1 Not having an account		0		
2.3 having an account 2.3 having a Giro-i/ Ahsan account		5 20		
3. Location			20	
3.1 town 3.2 suburb		10 20		
4. Number of people - min. 50 people			20	
4.1 less than 50 people		5		
4.2 50 - 99 people 4.3 100 and above		10 20		
5. Registered			20	
5.1 unregistered schools 5.2 registered schools		10 20		
<b>TOTAL</b>			<b>100</b>	

### 3.2.2 Bank B Method

Bank B distributes Zakat to 7 groups of asnaf as explained in the Al-Quran and as dictated in their policy. The poor and needy clearly are entitled to receive these Zakat based on the policy.

As contained in the policy that has been established, fakir means Muslim who is rendered incapable and has no property (jobless) who has income less than 50% from his daily needs and for his family and whose family lives in below-than average life condition. The form of assistance given to this group is assistance in the monthly food expenses, monthly food aid, school fee aid, studies scholarship, emergency aid, health and medical support, individual/group home construction, home renovation aid, eid gifts, training/ workshop, and capital aids for those wanting to start a business, involving fishery, livestock and agriculture (Bank B Zakat Policy, 2011).

According to Bank B, the criteria of a needy person are 1) Muslim, 2) of Malaysian nationality, 3) not having an income or property which demonstrates that it is half of the *haddul kifayah* or having income less than 50% from *haddul kifayah* as :

- a) Senior citizen/ ill/ alone/ disabled/ disabled or has no ability to work.
- b) Has nobody to rely on or neglected individual. For instance: widow, single mother, divorcee, abandoned wife and wife whom her husbands being jailed.
- c) Wife whom her husband involved in AIDS/HIV or drug addicted or suffer from critical illnesses
- d) Other cases which are similar to those above situation

Being poor, then, indicates muslims who have property, are capable, and are willing to work to obtain income more than 50% for himself or herself and the family but is not considered sufficient in terms of the *Haddul Kifayah*. These particular people include orphans, the elderly, sick people, those with low income, families who have lost someone and unemployed people. These criteria according to the policy of Bank B are



similar to the criteria of the needy as have been mentioned. This groups is also given the same kind of assistance with the needy as stated previously (Bank B's Zakat policy, 2011).

Among the forms of assistance that have been given are as stated in the 2010-2012 annual established by Bank B, which includes house construction worth RM 1.8 million handed over during the launching of "Community Center Unity Council" on 8 April 2010 in Bukit Kenau, Mukim Pulau Manis, Pekan, Pahang to ease the burden of the poor and needy (Annual Report of Bank B, 2010). The effort to pay zakat to these groups was actively done in the following year, in the form of donation to the poor and needy of RM 16,800 in "The Fast-Breaking and Contribution-Delivering Ceremony" organised by PERKIM on 20 August 2011 (Bank B Annual Report, 2011).

Bank B is also getting more proactive in giving its contributions and zakat assistance from year to year to those who are entitled. This is evidenced through the financial plan and strategy for 2012 by Bank B, where it included repairing 68 houses of this group in Bagan Datoh, Baling and Tumpat. This contribution is channeled through the "Repairing The Homes of The Poor Asnaf Program" on 1st June 2012 worth RM 750,000 and zakat contributions given to aid some 70 poor and needy people staying in Bagan Datoh to repair and improve their homes (Bank B Annual Report, 2012).

#### **4. Suggestion And Conclusion**

As a whole, if we look at the initiatives that have been done by Islamic banking institutions, in producing Zakat and distributing them to the asnaf, it serves as a noble dynamism representing a social corporate responsibility as to ensure that they can become the catalysts towards developing the lives of the poor and needy also enhancing their economic status. Based on the study done on this issue, there are several new frameworks that may be able to be adapted to ensure that the distributions can really leave an impact,

in terms of continuous productivity and generating change from time to time on the zakat distributions.

#### *4.1. Identify the Asnaf and Applicant(s)*

Generally speaking, Islamic banking institutions distribute Zakat based on the applications submitted. Apart from this, researcher wishes to propose that Islamic Banking Departments to be synergised with certain agencies, such as Zakat Center, Baitulmal, State Islamic Council, Malaysia Poverty Eradication Foundation, Amanah Ikhtiar Malaysia, Tekun, as to obtain the database on Malaysian poor and needy and other asnafs. The society also needs to raise an awareness on the need to help people living close to them. In effect, when the society has this caring attitude on the poor and the needy living close to them, God-willing we will be able to minimise the number of disadvantaged families and avoid from abandoning them and not giving them proper assistance.

#### *4.2. The Establishment of Skills and Entrepreneur Center for Asnaf at the HLI (Higher Learning Institutes)*

Strategies done by the Islamic banking institutions all these while, can at least help and improve the economic status of the poor and needy in Malaysia. To make sure that this strategy continues to work successfully and can give a continuous impact of productivity to the asnaf, researcher proposes that they are in good liaison with HLI, especially the Universiti Sains Islam Malaysia to set up the Asnaf Excellence Center aiming to produce professional, well-trained human capital in some given fields. HLI which tends to have the expertise in various fields, can assist the Banks in realising the goals for zakat distribution that have been set.

HLI will plan to organise various programs and training courses which are regarded as appropriate for the asnaf. Diploma and certificate courses, also short-term

courses will be exposed to them, and in turn will produce qualified human capital and subsequently improve their live status.

The establishment of this center is very important as the Islamic banking institutions can observe and monitor the development that takes place through the system run in the center. All forms of assistance can be evaluated and analysed continuously and the change on the asnaf can be followed through from time to time. The establishment will turn into a reality, if all the parties including Zakat centers, work hand-in-hand in distributing the funds and identifying asnaf who have entrepreneurial talents and potential.

#### *4.3. Malaysia Zakat Fund Program*

Generally speaking, there are 17 Islamic banking institutions in Malaysia that work based on the syari'a and are eligible to pay the Zakat if the criteria are fully met. If there are several percents from the total amount of Zakat taken out from the Islamic banking institutions are collected and placed in one Fund named *Tabung Zakat 1 Malaysia*, of course the amount collected will be very great.

This fund needs to be administered by a private agency which aims to help the poor and the needy in Malaysia. Mega programs can be executed as the fund is big and very generous. Forms of assistance regarded suitable also need to be planned properly and carefully so that this funding can really help those in need and subsequently, improve their economic status.

All the initiatives done by the Islamic banking institutions in Malaysia, in handling zakat is one noble effort that can only repaid by none other than Allah. The majority of Muslims in Malaysia have tended to overlook the efforts exercised by the Islamic banking institutions in helping out the society especially those labelled as *asnaf* for the betterment of their economy. There is also the assumption that the banks only set themselves for profit-making and are reluctant in paying their zakat. It is anticipated that this study will serve as an eye-opener to the community that the obligation of paying

Zakat and distributing them is vital to aid the Muslims especially Muslims in Malaysia. We pray that such a noble deed is blessed by Allah, and so that it will breathe new life to other banks in doing their religious responsibility of producing business zakat to those deemed entitled for it.

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