ADVANCES in ISLAMIC
FINANCE, MARKETING,
and MANAGEMENT

An Asian Perspective

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An Asian Perspective

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CHAPTER 14

Managing the Institution of Zakat: Case Study of Mu'allaf in Selangor, Malaysia

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ABSTRACT

Purpose – Despite the establishment of the Zakat, its role has been argued by the new Muslim (Mu'allaf) community. This research attempts to examine the role played by the Zakat institution in Selangor in distributing funds and supporting Mu'allaf.

Methodology/approach – A qualitative approach through a series of interview sessions with management of the Zakat institution was carried out.

Findings – The results show that the department has supported Mu'allaf, particularly in terms of education, finance and monitoring the Mu'allaf through various programmes starting from the first day they convert to Islam.

Research limitations/implications – This chapter has its limitations in terms of the data collection from the Islamic
religious centre. Future research should collect information from all rightful recipients, particularly the Muallaf community in order to measure the efficiency of the institution of Zakat. Future studies are important to understand how efficient the Islamic institution plays its role in managing and ensuring social economic justice among the other Muslim community.

Practical implications - This chapter indicates that the management of the Zakat institution should provide more systematic guidelines in managing Zakat fund for the efficient promotion, collection and distribution. Managing the institution of Zakat efficiently and effectively will help to enhance the image of religion, particularly Islam.

Social implications - This chapter confirms that the Islamic Religious Department of Selangor has managed to successfully administer the Zakat fund. On top of that, the department has organized several programmes for Muallaf in order to support them to be a new Muslim in a majority Muslim country.

Original/value - This chapter also clarifies the issues raised by the Muallaf community concerning the unfair treatment in distributing the Zakat fund and supporting them. This chapter contributes towards an understanding of the Zakat institution with regards to its concepts, role, issues and challenges.

Keywords: Zakat institution; managing Zakat; Muallaf

The alms are only for the Fugara' (the poor), and Al-Masakin (the needy) and those employed to collect (the funds); and to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah's Cause, and for the wayfarer (a traveller who is cut off from everything); a duty imposed by Allah. And Allah is [the] All-Knower, [the] All-Wise.

Al-Quran 9:60
1. Introduction

Thus far, the literature on the Islamic institution of Zakat is limited and largely focused on managing Islamic finance and marketing. Zakat is an Islamic institution within the Islamic economic system to cater to the social welfare of Muslims. One of the primary objectives of the Zakat institution is to eradicate poverty among the needy in the Muslim community, thus leading to a better quality of life. Zakat is also a means to achieve socio-economic justice, to achieve the favourable effects on aggregate consumption, savings and investment, the aggregate supply of labour, and capital and economic growth (Abd. Wahab & Abdul-Rahman, 2011). Therefore, in order to achieve all the objectives, the institution of Zakat has been given full responsibility to ensure that its allocation is fairly distributed to the rightful recipients (the asnafl), as cited in Al-Quran 9:60 (Abu Bakar & Abd. Ghani, 2011).

Coherent with the objectives, having a proper system that provides specific procedures in managing the fund efficiently is essential to the institution of Zakat to have a positive impact on the socio-economic status of the needy in the Muslim community. It is argued that when the rightful recipients – Fuqara', Masakin, Aminin, Muallaf, Al-riqab, Ibnus-sabil, Al-Ghamni and Fi sabillillah – still lack a good quality of life and still live in poverty, then the goal of obligatory Zakat has not been fully achieved (Abu Bakar & Abd.-Ghani, 2011).

Despite the establishment of the Zakat institution, its role in supporting (e.g., distributing Zakat fund) Muallaf has been debated by the Muallaf community in Selangor, Malaysia. Muallaf refers to a person who has converted from another religion to Islam, and has become a new Muslim. The Muallaf community has argued that the Islamic Religious Department has failed in distributing the Zakat fund and supporting them as new Muslims. The claim has been made by many Muallaf who reportedly had nowhere to go after they converted to Islam, especially when their family could not accept their decision to convert. As a new Muslim, they lack an Islamic education, guidance and care. Therefore, they are really in a dire need of help from the Muslim community both economically and morally, especially in a Muslim majority country. Due to such an allegation, the community has a negative perception of the Islamic Department in terms of the assistance it provides to Muallaf as some of them still live in poverty.
The question has been raised concerning how the Zakat institution and Islamic Religious Department play their role in supporting Muallaf to build their new life. Thus, support from the Islamic Religious Department and congregation of Muslim members is vital in helping these people. Thus, the aim of this chapter is to examine the role of the Islamic Religious Centre in the State of Selangor in managing Zakat to ensure socio-economic justice. The next section reviews the concept of Zakat, followed by elucidation concerning the management of the Zakat institution and a discussion on the issues faced by the institution, particularly focusing on Muallaf. The final section presents the findings.

2. What is Zakat?

Zakat has been defined in various ways including a blessing, grow, pure and good (Mu’jam Wasith). Zakat also means pure, grow, blessing and renowned (Lisan al Arab). From the point of view of fiqh, Zakat carries the meaning of producing a certain amount from a specific wealth for the benefit of those who are entitled to receive it as stipulated by Allah s.w.t. Zakat is one of the five pillars of Islam that emphasizes socio-economic development. A well-organized system of Zakat has been practiced for some fourteen centuries. Under this system, a considerable portion of wealth from the rich is redistributed among the poor and needy. The institution of Zakat is among several instruments in Islam to combat poverty and enhance welfare in the society. The primary purpose of Zakat is to redistribute the wealth of the society among the poor (Siddiqui, 1978). Therefore, it is essential to understand how Zakat institution manages Zakat efficiently in order to ensure that the rights of the recipients and society are fulfilled.

2.1. THE ZAKAT INSTITUTION: ITS ROLE AND PRINCIPLES OF DISTRIBUTION

The Zakat institution is an integral part of the Islamic socio-economic system. The management of Zakat in Malaysia is administered by the State Islamic Religious Council (SIRC). The SIRC has the responsibility for Zakat affairs including the promotion, collection and distribution of Zakat in accordance with the guidelines prescribed by Syariah (Ab Rahman, Alias, & Syed Omar, 2012; Abd-Wahab & Abd-Rahman, 2011).
Zakat can develop the socio-economy of the nation through its multiplier effect (Abdul-Aziz, Mohd-Jamil, Ismail, & Abdul-Rahman, 2013). This is because Zakat is a medium to mitigate the polarization of wealth among the rich. The Zakat fund is circulating in the society regardless of the status of the individual. For example, when the rich practice Zakat, they are willing to pay Zakat to the poor, then, the poor are able to utilize the Zakat funds. When the Zakat functions as it should, the government can focus on other agendas like the enhancement of jobs rather than concentrating too much on the poor (Ab Rahman & Syed Omar, 2010). Therefore, Zakat creates a community of deeply faithful Muslims living in closely-knit social harmony and equitably sharing economic prosperity.

Zakat is important, as it is one of the safety nets in Islam. The distribution of Zakat to asnaf (i.e., people who are entitled to receive Zakat) prioritizes the needs of the needy and maintains the needs of those who are weak. According to Ab Rahman and Syed Omar (2010), Malaysia would not have poverty by 2020 if Zakat is well managed. Zakat also ensures social justice, especially for those who are in need through an efficient and well-structured administration. The efficient and well-structured administration helps in developing the national economic growth. Consequently, a country will have sufficient income when well-structured and efficient management is achieved. Therefore, the employees of Zakat institutions should also play a vital role in preaches the benefits and responsibilities of Zakat payments (Ab Rahman & Syed Omar, 2010).

The general principles concerning the distribution of Zakat have been laid down clearly in Al-Quran. There are eight categories of people who are entitled to receive Zakat. The details are as follows:

1. Fugara': Those who own property in excess of the basic necessities. It refers to all those who are needy because of some physical defect, or old age, or temporarily do not have the means to make a living, and can become self-supporting if they are helped like orphans, widows, the unemployed, etc.
2. Masakin: Persons of extreme poverty who possess no wealth whatsoever and those indigent people who are in greater distress than the needy people.
3. Amin: (Zakat collector) Those persons who are appointed by the Government to collect Zakat, supervise the collection
and keep accounts, and help in their distribution, irrespective of the fact of whether or not they are needy or indigent; their remuneration shall be paid out of the Zakat funds.

4. Muallafat al-Qulub: Those poor and needy persons who are given Zakat with the intention of solidifying their hearts because they may have recently converted to Islam or to bring them closer to Islam.

5. Al-Riqab: Slaves whose masters have agreed to set them free on the payment of a fixed amount. Zakat may be used to purchase their freedom.

6. Ibnu al-Sabil: A traveller, who, whilst wealthy at his residence, is stranded and in need of financial assistance. Help may be given out of Zakat funds to such debtors as would be reduced to a state of poverty if they paid off all their debts out of their own possessions, irrespective of the fact of whether they are earning any money or not, whether they are indigent in the general sense or well off.

7. Al-Charimin: A person whose debts exceed his assets and his net assets (after deducting his liabilities). To determine whether a person qualifies, his basic necessities of life (house, furniture, clothes, vehicle, etc.) will not be taken into account.

8. Fi Sabilllah: Those who are away from home in the path of Allah. Those in Jihād, those seeking knowledge or a stranded Haji may be assisted with Zakat if they are in need.

This study however focuses on Muallaf as a study context. The explanation is provided in the next section.

2.2. CONCEPT OF MUALLAF

Converting to Islam is the biggest decision a new convert makes in their life. However, as a result, some might face problems because they are not familiar with their new surroundings, especially when their family do not accept them, or they lose old friends; in fact, they have to make new Muslim friends in a new Muslim community. Therefore, moral support is definitely important for them to succeed once they have made their decision.

The word Muallaf, as mentioned in the Al-Marbawi Dictionary, comes from two root words, that is, ‘Allafa’, which means ‘obedient, tamed, and submissive’, and ‘Alifahu’, which
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Demonstrating high quality theoretical and empirical findings in the areas of Islamic finance, banking, entrepreneurship, insurance, capital market, Islamic leadership, and Halal marketing, this new work includes topics on consumer perception, services orientation, new product development, risk management, industry readiness for better customer satisfaction, and policy issues coupling strategy and best practices.

Of interest to both academics and practitioners who assist in making Shariah-centric strategies, this work is particularly important as Asia holds a major percentage of Islamic assets in South Asia, Southeast Asia, and the Middle East, with new opportunities opening in Central Asia. Many texts and references on Islamic finance are particularly limited to non-Asian global perspectives, and this text balances these gaps by focusing on the Asian perspective of Islamic businesses and by incorporating, alongside finance, the development of Islamic marketing and management of the Islamic business.