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THE MANAGEMENT OF FUNDS OF ZAKAT, SADAQAT AND  
AWQAF AND THEIR CONTRIBUTIONS TOWARD MUSLIM  
EDUCATIONAL PURPOSES IN MALAYSIA

By

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## ABSTRACT

This study is concerned with investigating the use of sources of funds of *zakat*, *sadaqat* and *awqaf* towards financing Muslim education and investing these funds in a lawful and Islamically permitted projects that could generate income. It examines (a) the role of these charities as sources of financing Muslim educational activities in Malaysia, (b) the investment policies and practices of the Baitulmal (c) the modern management practices that they employ and, (d) the possibility of improvement in their management systems.

The study is based upon data collected through the distribution of questionnaire to a randomly selected sample of middle managers of Baitulmal. However, it also benefited from secondary data especially the Baitulmal Annual Reports from 1991 to 1996. The instrument used was a self-constructed 'Likert -Scale' questionnaire which, measured the perception of middle managers of the respective Baitulmal toward its management practices. The findings indicated that the five Baitulmals under study:

- (1) depended largely on the contributions of *zakat* funds which had increased from time to time even though on irregular basis;
- (2) allocated a handsome amounts of funds of *zakat*, *sadaqat* and *awqaf* to finance the education of Muslims in Malaysia;
- (3) were not actively involved in investment activities even though it was realized that the returns could be good sources of income to the Baitulmal;

- (4) did not, by and large, adopt management concepts and principles such as organizing, leading and controlling but only employed one out of four management practices i.e. planning in their daily running of the organization.

Based on these findings the study makes the following recommendations:

- (1) to coordinate and centralize the management of fourteen Baitulmals in Malaysia;
- (2) to be actively involved in lawful and permitted investment activities;
- (3) to widen the function of Baitulmals i.e. to help the socio-economic development of the Muslims in Malaysia;
- (4) to employ modern management practices effectively and efficiently.

## ملخص البحث

عنيت هذه الدراسة ببحث إستخدام صناديق الزكاة والوقف والصدقة في تمويل تعليم المسلمين، واستثمار هذه الصناديق في مشاريع مشروعة إسلامياً لتوليد الدخل.

إن الأهداف الرئيسة للدراسة (أ) دور هذه الصناديق الخيرية كمصادر لتمويل النشاطات التعليمية للمسلمين في ماليزيا، (ب) السياسات والممارسات الاستثمارية لبيت المال، (ج) الممارسات الإدارية المستخدمة، (د) إمكانية تطوير الأنظمة الإدارية لهذه الصناديق.

استندت هذه الدراسة على بيانات تم جمعها من خلال استبانات وزعت على عينه من الفئة الوسطى من الإداريين، تم اختيارها عشوائياً من مجتمع الدراسة. أما أداة البحث فهي استبانة من نوع مقياس "ليكرت" لقياس إدراكات الأطر الإدارية الوسطى في بيوت المال المذكورة للممارسات الإدارية. أظهرت النتائج أن بيوت المال الخمسة موضع الدراسة:

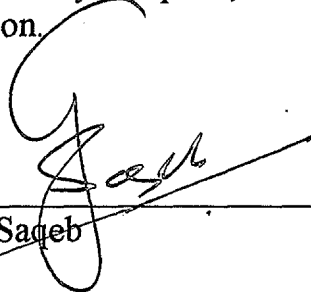
- (1) تعتمد إلى حد كبير على صناديق الزكاة التي زادت مواردها من وقت لآخر وإن كان ذلك بشكل غير منتظم.
- (2) خصصت مبالغ جيدة من الزكاة والوقف والصدقة لتمويل تعليم المسلمين في ماليزيا.
- (3) لم تنخرط بشكل فعال في ممارسات استثمارية رغم أن عوائد مثل هذه الإستثمارات قد توفر مصدراً جيداً من الدخل لبيت المال.
- (4) لم تتبن مفاهيم ومبادئ إدارية مثل التنظيم، القيادة، المتابعة، بل اكتفت باستخدام مبدأ إداري واحد وهو التخطيط للإدارة اليومية.

في ضوء تلك النتائج توصي الدراسة بما يلي:

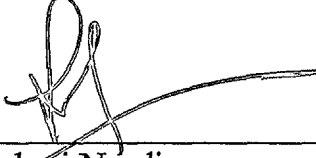
- (1) تنسيق ومركزية الإدارة لبيوت المال الأربع عشرة في ماليزيا.
- (2) الانخراط في النشاطات الاستثمارية المشروعة.
- (3) توسيع أعمال بيوت المال تشمل المساعدة في تطوير البنية الاقتصادية الاجتماعية للمسلمين في ماليزيا.
- (4) استخدام أساليب إدارية حديثة فعالة.

APPROVAL PAGE


I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Education.

  
\_\_\_\_\_  
Dr. Ghulam Nabi Saqeb  
Supervisor  
Date: 22.6.98


I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Education.

  
\_\_\_\_\_  
Dr. Mohamad Sahari Nordin  
Examiner  
Date: 22.6.98

This thesis was submitted to the Department of Education and is accepted as partial fulfillment of the requirements for the degree of Master of Education.

  
\_\_\_\_\_  
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Head, Department of Education  
Date: 23.6.98

This thesis was submitted to the Kulliyah of Islamic Revealed Knowledge and Human Sciences and is accepted as partial fulfillment of the requirements for the degree of Master of Education.

  
\_\_\_\_\_  
Prof. Dr. Jamal M. Barzinji  
Dean, Kulliyah of Islamic Revealed Knowledge  
and Human Sciences  
Date: 25-6-98

## DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by explicit reference and a bibliography is appended

Name: ZAZLI BT ZAINUDDIN

Signature

A handwritten signature in black ink. It starts with the letters 'Zaz' in a cursive style, followed by a series of vertical, parallel lines that form a decorative flourish. A horizontal line extends to the right from the end of the flourish.

Date: May 1998

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**To my family**

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# CHAPTER 1

## Introduction

In a modern society of our times, education has become seminal to the making of man, his roles in life, his career, his status and his entire destiny in this life. Education is compulsory for all young people according to the United Nations Organization, Charter of Human Rights. Therefore, no one today can lawfully be denied education.

Education means different things to different people. To a certain extent, education symbolizes the development of a country and its people. To some, education refers to the achievement of economic progress and political strength. The sociologist and political scientist view education as the essential role of development and modernization. They focus essentially on the transformation of social and political institutions. The economist stresses the contribution of education to development and economic growth. In other words, education makes individuals and society more productive economically (Heggade, 1991). Distinguished American educationists, Harbison and Mayers (1962) relate education with human resource development. They consider human resource development essentially as the process of increasing knowledge, skills, and capacities of all the people in the society. Education plays its role in human development in several ways. The most obvious way is through the formal education, beginning with primary or first level education, continuing with

various forms of secondary education and then higher education. It also includes the technical, vocational, special colleges and other forms and levels of education.

In Islam seeking knowledge and education is an obligation for every Muslim. A number of verses stressing the importance of positive attitude toward learning and acquisition of knowledge can be found in al-Quran. In fact, the very first word of al-Quran revealed to Prophet Muhammad (PBUH) was *Iqra'*, literally meaning read:

“Proclaim! (or Read) in the name of your Lord  
Who created”

( 96:1 )

This verse has been interpreted to mean the Commandment of Allah to the believers to acquire knowledge and to spread it. The Quran also praises those who combine faith with Knowledge. However the acquisition of such knowledge and skills, education, study or apprenticeship, costs a substantial expense (Marshall, 1930). Education expenses include the cost of buildings, payment of wages, acquisition of books and reading materials, equipment and furniture.

The question is who actually is held responsible for financing the acquisition of knowledge and skills? How is education financed? In Islam, the responsibility of educating and socializing the young into Islamic beliefs, values and lifestyle is basically the responsibility of the parents.

In the Holy Quran Allah SWT says;

“O you who believe! Save yourself and your families from



a fire whose fuel is mankind and stones, and over which  
are angels stern and strong, they do not disobey God in what  
He Commands them, and do as they are commanded”

( 66 : 6 )

With this commandment, the Muslims throughout history have established *Maktabs* and *Madrasahs*, for the education of the children apart from mosques for the worship of Allah SWT. In order to finance both mosques and educational institutions, they have created endowments or *waqf* charities. In fact in the Islamic history, a number of famous academic institutions have been established, through private or public funds such as *zakat*, *sadaqat* and *aqwaf*. Wealthy Muslims, rulers, nobles, and God fearing individuals and communities have generously set up *awqaf* by endowing their properties in perpetuity to be permanent sources of income for Islamic educational causes.

The first *waqf* for the purpose of education was established by the Abbasid Caliph Mamun al-Rashid in 218 A.H. The Caliph however, did not wish the progress of knowledge to depend on the accidental munificence of individual caliphs or nobles of the state, and with a true regard for the dignity of the learned, he made it independent of casual gifts by creating permanent endowments for its promotion and support (Shalaby, 1954). In fact, from the historical perspective, the institution of *awqaf* has played an important role in promoting Islamic faith and ideology, developing medical sciences and arts, and promoting education and research ( Mutalib, 1996 ).

Islamic education in Malaysia started in the fourteenth century when Muslims first arrived and settled in the country. The first Islamic schools were the mosque or

Quranic schools which functioned either in the mosque or close to it in teachers' homes and adjoining huts called *Pondoks*. *Pondoks* were especially famous in Malaysia as they were considered to be based on the model of education provided in the Haram Al-Sharif (The Grand Mosque) of Makkah and were introduced in these islands by returning pilgrims from Makkah and Madinah. They were called '*Pondok*' meaning 'an inn' because of the cluster of living quarters for students built around the mosque and the *Madrasah*. These early schools were financed entirely by the Muslim community through *zakat* and *sadaqah* funds and they created the *awqaf* system. They catered only for the Islamic religious education. Later by the turn of the twentieth century, inspired by the Islamic reform movement, philanthropists and scholars, opened *Madrasahs* which were used to cater for all levels of Muslim education in all subjects, including secular subjects in the same school. The *awqaf* system then became widespread and well organized. Included in the list of such prominent *Madrasahs* were the *Madrasah* al-Ulum al-Syariah in Perak, *Madrasah* Hamidiah in Kedah, *Madrasah* al Sultan Zainal Abidin (KUSZA) in Terengganu, and Kolej Islam Kelang in Selangor (Rosnani, 1996).

So, historically *zakat* funds have contributed significantly in the progress of Muslim Education in Malaysia. They were channeled to the development of the Islamic schools, and to finance overall Islamic educational causes, such as producing books, buying teaching aids and materials, and paying teachers' salaries (Zakiah, 1994). However, the *zakat* funds, which were collected just once a year, were not adequate to finance all these institutions effectively (Rosnani, 1990). In addition, they were

collected and managed inconsistently and distributed without investing them into income generating projects. The current management of Baitulmal in Malaysia employs a decentralization policy where it is administered and managed by the Islamic Council of the respective state namely, Perlis, Kedah, Penang, Perak, Selangor, Wilayah-Wilayah Persekutuan, Negeri Sembilan, Melaka, Johor, Pahang, Kelantan, Trengganu, Sabah and Sarawak. While the earliest *zakat* law was reported to be found in Pahang in the 16<sup>th</sup> century during the reign of Pahang sultan, Sultan Muhaiyu'-din Shah in 1592 to 1614, the written *zakat* law in Malaysia (previously known as Tanah Melayu) was known to be in the 1667 enactment 58 called 'Melaka *Zakat Law*' (Mohd Nor, 1983). However the establishment of Baitulmal in Malaysia was only known in the 20<sup>th</sup> century. The first state reported to establish Baitulmal was Trengganu in 1914. Some scholars argue that the first systematic Baitulmal was actually established in Kelantan in 1915 followed by Perlis in 1930, Johor in 1934, Kedah in 1936 and finally Wilayah Persekutuan in 1974.

Presently, the institution of Baitulmal system which was established essentially to manage *zakat*, *sadaqat* and *awqaf*, remains largely limited in scope and old fashioned in management (Ahmad Hidayat, 97). Hence the need to streamline it in order to make it well-managed, modern and adequately capable to finance and promote Muslim educational causes in the country. This study is based on the belief, that with the introduction of modern, rational and sophisticated management practices within the Baitulmal system and with proper training of their personnel in the latest

management skills, the Islamic charities could be made more profitable and be able to finance the education of Muslims efficiently and effectively.

## **Statement of Problem**

The role of *zakat*, *sadaqat* and *awqaf* in financing Muslim education in Malaysia has been referred to by various present day scholars. Rosnani (1996) and Abdul Aziz (1993) indicate that *zakat and awqaf* are important sources in financing the Muslim education. Unfortunately the allocation of these funds in financing Muslim education is relatively small.

However, previous studies that dealt with the subject were not consistent in reporting the amount of *zakat* and *awqaf*, which have been collected and spent for academic and other allocations in Malaysia. They also failed to highlight factors affecting the success and failures of collections and utilization of *zakat* for educational purposes in Malaysia ( Sulaiman, 1996).

In view of the above inconsistencies and failures, it is important to carry out this research. It investigates how *zakat*, *sadaqat* and *awqaf* funds are used for the promotion of Muslim educational purposes and how these systems can be improved.

The objectives of this study are to examine:

- a) the role of these institutions as a source of financing Muslim education in Malaysia,
- b) the Baitulmal investment activities,

- c) the management practices employed by the Baitulmal, and
- d) the possibility of improvement in these management systems.

The study looks into the collection, distribution, and management of *zakat*, *sadaqat* and *awqaf* funds and issues related to them from the year 1991 to 1996.

## **Research Questions**

Specifically this research addresses the following questions:

- (1) Are there any discernible patterns in the sources of the funds of Baitulmal in Malaysia from the year 1991 to 1996?
- (2) Are there any discernible patterns and changes in the percentage of funds of *zakat sadaqat* and *awqaf* allocated for the education of Muslims over time?
- (3) Are there any discernible patterns in the use of the funds of *zakat*, *sadaqat* and *awqaf* for investment purposes over time?
- (4) To what extent are investment activities and financing of Muslim education perceived by the middle managers of Baitulmals as an important function of the organization?
- (5) To what extent, are the modern management practices namely, planning, organizing, leading and controlling employed by the Baitulmals in their daily running of the organization as perceived by the middle managers?

## **Significance of the study**

This is an exploratory study on the management of Baitulmals in Peninsular Malaysia and its contributions in financing Muslim education in Malaysia. Since there have

been no extensive studies done on the management system of the National *Zakat* Funds (Baitulmals) and their impact on Muslim education in Malaysia, this study partially attempts (due to time and resources constraints) to fill the gap. It is assumed that modern management practices do play a vital role in the management of Baitulmal, and consequently maintaining and improving the quality of this system is possible.

This study attempts to analyze as objectively as possible the problems of the administration of *zakat*, *sadaqat* and *awqaf* with special reference to the distribution of these charities for Muslim educational purposes. This study on the management system of Baitulmal and its impact on the Muslim education in Malaysia can be justified as having importance to four groups of people namely, Muslim students, Baitulmal administrators, Muslim communities and the educational authorities in general.

The first group that will benefit from this study is the Muslim students themselves. Recommendations on changes with regard to the management of these charities will create better means of support by financing the Muslim students in various educational programs. The study will be helpful for the administrators of Baitulmals in identifying problems and obstacles that might have inhibited the effectiveness of this institution. In addition, the understanding of this issue will help them in implementing latest strategies and reformed policies in managing these charities toward a better performance. The educational services of the country will benefit through a reformed and efficient system of Muslim education financed by *zakat*,

*sadaqat* and *awqaf* systems. Finally, the researcher hopes the findings of this study will create the awareness among Malaysian Muslims at large about their obligation in contributing generously and paying *zakat* more regularly to the Baitumaals in future. It is also expected to shed some light on the understanding and handling of issues pertaining to the vital role of *zakat*, *sadaqat* and *awqaf* especially towards the promotion of Muslim education.

### **The scope of the study**

This study primarily focuses on the distribution of *zakat*, *sadaqat* and the creation of *awqaf* to finance Muslim education with special reference to the role of Baitulmal in Peninsular Malaysia. The target groups of the study are the middle managers of Baitulmal.

### **Definition of terms**

The terms used in this study are defined as follows;

#### *Sadaqah* (plural *sadaqat*)

*Sadaqah* is considered anything given away in charity for the pleasure of Allah.

There are two types of *sadaqah*, mandatory and optional. This study will address itself only to the optional *sadaqah*.

#### *Zakah* (plural *Zakat*)

*Zakah* refers to an obligatory donation or transferring the ownership of a thing (*tamlik*) as an act of piety, of a legally (*shari'ah*) stated portion of one's property to

the poor, in such a way as to preclude for the giver any sort of benefit as mentioned in surah *at-Tawbah*, verse 103.

### Waqf (plural *awqaf*)

*Waqf* refers to a permanent endowment set up in property. It is the legal creation of a pious foundation whereby the owner relinquishes his/her right of disposal provided it is for charitable purposes. It is a charitable trust in the name of Allah, usually in perpetuity and for the purposes of promoting the Deen of Islam.

### Sources of Funds

They refer to the contribution from donors and returns of investment of funds of *zakat*, *sadaqat* and *awqaf*.

### Uses of Funds

They refer to the uses of funds for the Muslim educational purposes and the investment activities.

### Muslim Education

Muslim education refers to all kinds of education given to Muslim young in public and private schools; formal and informal institutions at all levels. Thus Muslim education aims to create good Muslims who possess education, knowledge and skills and live righteously.