



**A CASE STUDY OF ZAKAT COLLECTION CENTRE
MAJLIS AGAMA ISLAM WILAYAH
PERSEKUTUAN (MAIWP)**

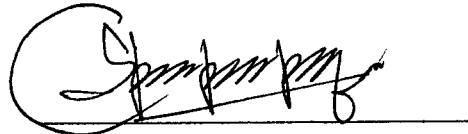
By

NORHAZWANI BINTI MOHAMED ASRI

Project Paper Submitted in Partial Fulfilment of the Requirement For the Degree of
Master of Business Administration
Management Centre
International Islamic University Malaysia
2011

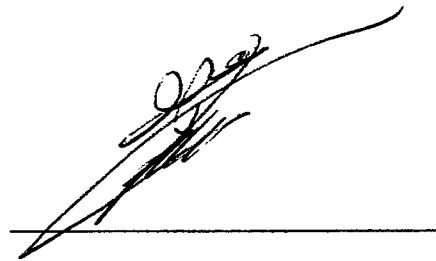
APPROVAL PAGE

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



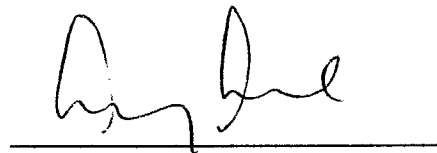
Dr. Siti Salwani Razali
Supervisor

This Project Paper was submitted to the Management Centre, IIUM and is accepted as partial of the requirements for the degree of Master of Business Administration.



Dr. Muhammad Yusuf Saleem
Project Paper Examiner

This Project Paper was submitted to the Management Centre, IIUM, and is accepted as partial fulfilment of the requirements for the degree of Master of Business Administration.




Prof. Dr. Arif Hassan
Chairperson
Project Paper Committee
Management Centre
IIUM

DECLARATION AND COPYRIGHT

Name : Norhazwani Binti Mohamed Asri

Matric Number : G0813492

I hereby declare that this research is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by footnotes giving references and a bibliography is appended.

Signature..........Date. 20/5/2011.....

© Copyright by Norhazwani Binti Mohamed Asri and
International Islamic University Malaysia

DEDICATION

*“This study is dedicated to
My Beloved Parents
and also
My Siblings”*

ACKNOWLEDGEMENTS

In the name of *Allah* the most compassionate and the most merciful. All praise due to *Allah* (SWT) and peace and blessing be upon His Prophet Muhammad (SAW).

First and foremost, I would like to express my sincere appreciation to my supervisor Dr. Siti Salwani Razali for her patience, guidance and understanding in helping me to complete this dissertation throughout its preparation. Without her constant encouragement, I would not have been able to finish this work. It was a great pleasure to have her supervise me to complete this thesis. May *Allah* (SWT) bless and repay your kindness.

I would also like to present my warm gratitude to all my lecturers, namely, Dr. Muhammad Yusuf Saleem, Prof. Dr. Abd Rahim Abd Rahman, Bro. Mustaffa Omar Mohammed, Dr. Rafikul Islam, Dr. Muhammad Akhyar Adnan, Dr. Amat Taap Manshor, and Dr. Salihin Ramli. To the memory of the late Dr. Mohd Yusop Ahmad, may **ALLAH** SWT have mercy on you. . I am really very proud to be your student and I pray *Allah* (SWT) to bless all of you in this world and in the *akhirah*.

I would like to express my gratitude to the Zakat Collection Centre – Majlis Agama Islam Wilayah Persekutuan (MAIWP), with their cooperation to provide valuable information for this thesis.

Besides, I am also grateful to my truest friends especially for my classmates – MBA Batch 32. Thank you for your support and concern.

Last but not least, I would like to express my deepest appreciation to my father, Mohamed Asri Bin Edul, my mother, Rakhiah Binti Ahamed and also my siblings. Thank you for your love, support, guidance and help.

May *Allah* bless all of our efforts to uphold the true concept of knowledge, *Insha Allah*, and for His sake (SWT).

LIST OF TABLES

<u>Table No</u>		<u>Page No</u>
1	The Statistics of Zakat Payers 2007-2008	45
2	The Statistics of <i>Asnafs</i> (receiver) 2007-2008	46
3	The Revenue Collected in Different Methods of Payment 2007-2008	47
4	The Statistics of Zakat Collection 2007-2008	48
5	The Percentage of Distribution of Zakat Fund 2007-2008	48
6	The Total of Expenditure for CSR 2008	48
7	The Trend of Payers in Different Method of Payment 2007-2008	49
8	SWOT Analysis	53
9	TOWS Matrix Analysis	56
10	Maxi-Maxi Strategy	57
11	Maxi-Mini Strategy	58
12	Mini-Maxi Strategy	59
13	Mini-Mini Strategy	60

LIST OF FIGURES

<u>Table No</u>		<u>Page No</u>
1	Zakat Organisation Chart in Malaysia	3
2	Organisation Chart of Zakat Administration in Federal Territory	6
3	Zakat Collection Centre (MAIWP)	8
4	The Structure of TOWS Matrix Analysis	34
5	Methodology of Case Study	35
6	The Structure of Research Methodology	36
7	Number of Graduate and non-Graduate	37
8	Principal Statistics of Labour Force, Malaysia	38
9	Percentage Distribution of Employed Persons by Ethnic Group, Malaysia, Q4/2008 and Q1/2009	38
10	Percentage Distribution of Employed Persons by Educational Attainment, Malaysia, Q4/2008 and Q1/2009	39
11	The New Economic Model : Goals and Characteristics	42
12	Broadband Penetration Rate (per100 household)	43
13	The Statistics of Zakat Payers 2007-2008	45
14	Trends of Zakat Payers 2007-2008	50

LIST OF ABBREVIATIONS

JAKIM	Department of Islamic Malaysia
MAIWP	Majlis Agama Islam Wilayah Persekutuan / Federal Territory Islamic Religious Council
PPZ	Pusat Pungutan Zakat
ICT	Information Telecommunication
SLEPT Analysis	Social Legal Economic Politic and Technology Analysis
SWOT Analysis	Strength Weakness Opportunity and Threat Analysis
LZS	Lembaga Zakat Selangor
MAIS	Majlis Agama Islam Selangor
LHDN	Lembaga Hasil Dalam Negeri
BIMB	Bank Islam Malaysia Berhad
LUTH	Lembaga Urusan Tabung Haji
CPI	Consumer Price Index
BN	Barisan Nasional
PKR	Parti Keadilan Rakyat
DAP	Democratic Action Party
PAS	Parti Islam se-Malaysia
NCR	Non-Compliance Report
CSR	Corporate Social Responsibility
ATM	Automated Teller Machines
JAWHAR	Jabatan Wakaf Zakat dan Haji
MAMPU	Malaysia Administration Modernisation and Management Planning Unit
JPJ	Jabatan Pengangkutan Jalan Malaysia
DMS	Document Management System
DR-DOK	Document Request System (Document Management System)
SIRIM QAS	Standards & Industrial Research Institute of Malaysia Quality Assurance System
TOWS Matrix Analysis	Threat Opportunity Weakness Strength Matrix Analysis

TABLE OF CONTENTS

Approval Page	ii
Declaration and Copyright Page	iii
Dedication	iv
Acknowledgement	v
List of Tables	vi
List of Figures	vii
List of Abbreviations	viii
Abstract	ix
CHAPTER 1. INTRODUCTION	
1.1 Background of Zakat Institution	1
1.1.1 Ibadah of Zakat	1
1.1.2 Zakat Adiministration in Malaysia	3
1.1.3 Zakat Collection Centre – MAIWP	6
1.2 Background of Study	10
1.3 Objectives of Study	11
1.4 Significance of the Study	11
1.5 Research Questions	12
1.6 Limitations of the Study	12
1.7 Organisation of the Project Paper	13
CHAPTER 2. LITERATURE REVIEW	
2.1 Introduction	15
2.2 Zakat Administration in Malaysia	16
2.3 Management of Zakat Institution	16
2.4 Zakat and Tax	20
2.5 Level of Awareness	21
2.6 Distribution of Zakat	24
2.7 Summary	27
CHAPTER 3. RESEARCH METHODOLOGY	
3.1 Research Questions	28
3.2 Method of Analysis	28
3.3 SLEPT Analysis	
3.3.1 Introduction	29
3.3.2 The Structure of Analysis	30
3.4 Balanced Scorecard Analysis	

3.4.1	Introduction	30
3.4.2	The Structure of Analysis	31
3.5	SWOT Analysis	
3.5.1	Introduction	33
3.6	TOWS Matrix Analysis	
3.6.1	Introduction	33
3.6.2	The Structure of Analysis	34
CHAPTER 4. DATA ANALYSIS AND FINDINGS		
	External Environment	
4.1	SLEPT Analysis	
4.1.1	Social Factor	37
4.1.2	Legal Factor	39
4.1.3	Economic Factor	41
4.1.4	Politic Factor	42
4.1.5	Technology Factor	43
	Internal Environment	
4.2	Balanced Scorecard Analysis	
4.2.1	Customer Perspective	44
4.2.2	Financial Perspective	47
4.2.3	Internal Business Process Perspective	49
4.2.4	Learning and Growth Perspective	51
	SWOT Analysis	
4.3.1	Strengths and Weaknesses	53
4.3.2	Opportunities and Threats	55
	Strategy Analysis	
4.4	TOWS Matrix Analysis	56
4.4.1	Maxi-Maxi Strategy	57
4.4.2	Maxi-Mini Strategy	58
4.4.3	Mini-Maxi Strategy	59
4.4.4	Mini-Mini Strategy	60
	Summary	61
CHAPTER 5. CONCLUSIONS AND RECOMMENDATIONS		
5.1	Summary of the Findings	63
5.2	Recommendations for Practice	66
5.3	Contribution to Theory and Practice	68
5.4	Suggestion for Future Research	69
Bibliography		71
Appendix 1	Zakat on Income Calculator	
Appendix 2	Zakat on Business Calculator	
Appendix 3	Payment Channel : Internet Banking	
Appendix 4	Salary Deduction Form	
Appendix 5	Monthly Salary Deduction Form	
Appendix 6	Zakat Collection Centre (MAIWP) Website	
Appendix 7	Article (1) : Free Food at City Mosque by NSTP – 15/7/2010	
Appendix 8	Article (2) : RM1.5m Gift to Lift Spirit of Patients by NSTP, 27/08/10	

CHAPTER ONE

INTRODUCTION

1.1 Background of Zakat Institution

1.1.1 *Ibadah* of Zakat

Zakat is the third pillar of the five Islamic pillars. Literally, zakat means grow (in goodness) or ‘increase’, ‘purifying’ or ‘making pure’. Thus, the act of giving zakat means purifying one’s wealth to gain Allah’s blessing to make it grow in goodness.

This *ibadah* is obligatory on all Muslims who have excess wealth or asset, and they have to pay 2.5% from their property every year to the poor or needy person. This is done before the beginning of Muharram, the first month of the new year. Giving Zakat is considered an act of worship to Allah as mentioned in Al-Quran in *surah* at-Taubah verse 11;

“But (even so), if they repent, establish regular prayer, and practice regular charity, they are your brethren in Faith: (thus) do We explain the Signs in detail, for those who understand.”

Therefore from this verse, in order to become a true Muslim, one does not only utter *kalimah syahadah* and perform *solat*, but he or she must also pay zakat.

There are several types of zakat, which are; zakat on gold and silver including jewellery and money (*surah* at-Taubah verse 35), zakat on agriculture produce such as

dates, wheat, etc (*surah* al-An'am verse 141), zakat on minerals such as gold and silver (*surah* al-Baqarah verse 267), zakat on trade assets (*surah* al-Baqarah verse 267) and zakat on animals such as camels, sheep, etc (*surah* an-Nahl verses 5-7). However, based on *Ijma'*, *Qiyas* and *Ijtihad* of contemporary *Ulama'*, new types of zakatable items are added to existing ones. They are zakat on income (e.g., salaries and wages), zakat on financial securities (e.g., shares and *sukuk*) and zakat on rented assets such as building and vehicles.

The entire zakat collection is done by *amil*s or a people who are responsible to collect the zakat in their area. The funds collected will be managed by zakat institution to distribute them to the eight groups of the people. According to *surah* at-Taubah verse 60, the *asnafs* are; *al-fuqara*, *al-masakin*, *amil*, *muallaf*, *al-riqab*, *al-gharimin*, *fi-sabillah* and *ibn sabil*.

Consequently, if we can see from the concept of wealth in Islam, they emphasized the sharing of wealth among the Muslims. So, it can be practised as an *ibadah* of zakat. As a Muslim, we should realize that, others have a right on every wealth or property that we obtain. Therefore, through this concept it can make the Muslim economy balanced and fair.

1.1.2 Zakat Administration in Malaysia

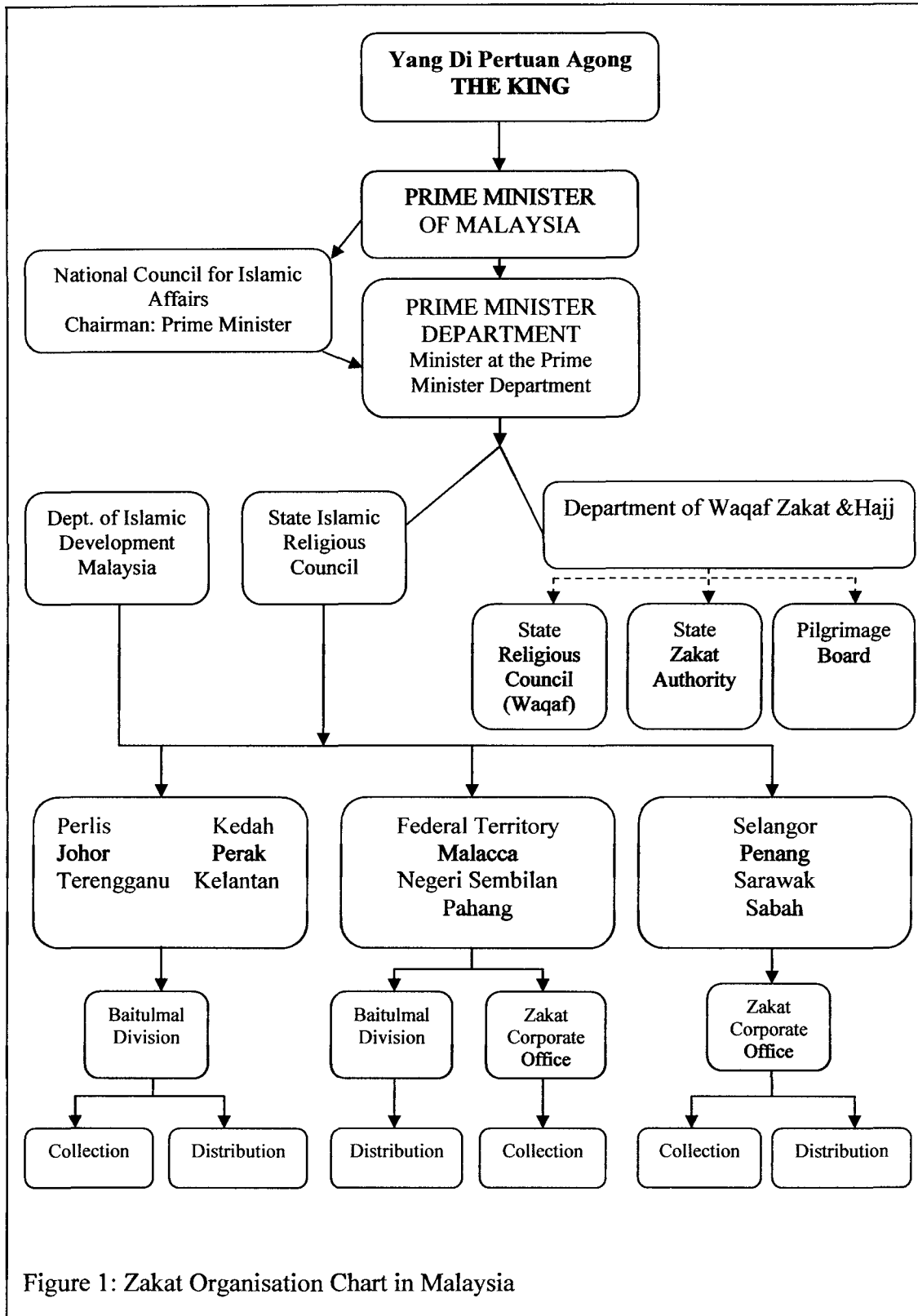


Figure 1: Zakat Organisation Chart in Malaysia

The zakat administration in Malaysia as shown in figure 1 is led by Yang Di Pertuan Agong who is the king of this country. At the federal level, the coordination of the Islamic affairs is organised by the Department of Islamic Development Malaysia (JAKIM). This department is responsible to administer all religious matters in this country. In September 2004, the government had established the Department of Waqf, Zakat and Hajj which is within the Department of Islamic Development Malaysia. The purpose of this establishment is to take over matters regarding Waqf, Zakat and Hajj administration. At this level, there is an organisation which is known as the National Council for Islamic Affairs Malaysia which is headed by the Prime Minister and the members consist of Menteri Besar and Chief Ministers of each state in Malaysia.

Zakat institution in this country is listed under the jurisdiction of the respective states. Even though Islam is the official religion in Malaysia, the Federal Government does not have the full authority in religious affairs. Every state has its own religious Administration Enactment for Islamic matters which include administering of zakat affairs. The Islamic Religious Department, which is under the state government provides administrative services and implements the decision of the Council. The Council is responsible as a policymaking and supervisory body. This organisation is dependent on the Sultan or a Ruler of each state. Normally, the Council consists of the representatives from the Royal House of states, state government representatives, academicians, businessmen, professionals and senior government officials. The number of member is approximately 20 members. One of the functions of the Council is zakat collection and distribution.

Zakat management office under the respective Islamic Religious Council of each state is normally known under various names such as Zakat and Baitulmal Office, Zakat Committee, Zakat Unit or Zakat Department. At Zakat Collection office, there are zakat officers or *amil*s who are appointed to collect the zakat.

Nevertheless, since 1991 a number of zakat management offices have been corporatised under the state Islamic Religious Council to improve their performance. The zakat management offices which have been corporatised are; Zakat Collection Centre (MAIWP) in 1991, Pahang Zakat Collection Centre (1991), Selangor Zakat Centre (1995), Penang Zakat Management Centre (1995), Negeri Sembilan Zakat Centre (2000), and Malacca Zakat Centre (2000). The other zakat management offices are still under the control of the State Islamic Religious Council.

In addition, the management of zakat varies in every state. From the organisation chart, it shows that; for Perlis, Johor, Terengganu, Kedah, Perak and Kelantan, the zakat management is conducted by Baitulmal Division which is responsible for distribution and collection, whereas in Federal Territory, Malacca, Negeri Sembilan and Pahang, zakat is managed by 2 divisions; Baitulmal Division which is responsible for distribution and Zakat Corporate Office which is responsible for collection. As for the other states such as Selangor, Penang, Sabah and Sarawak, their zakat management is conducted by Zakat Corporate Office which is responsible for collection and distribution of zakat. Consequently, the management of zakat is not standardised throughout the states.

1.1.3 Zakat Collection Centre – Majlis Agama Islam Wilayah Persekutuan

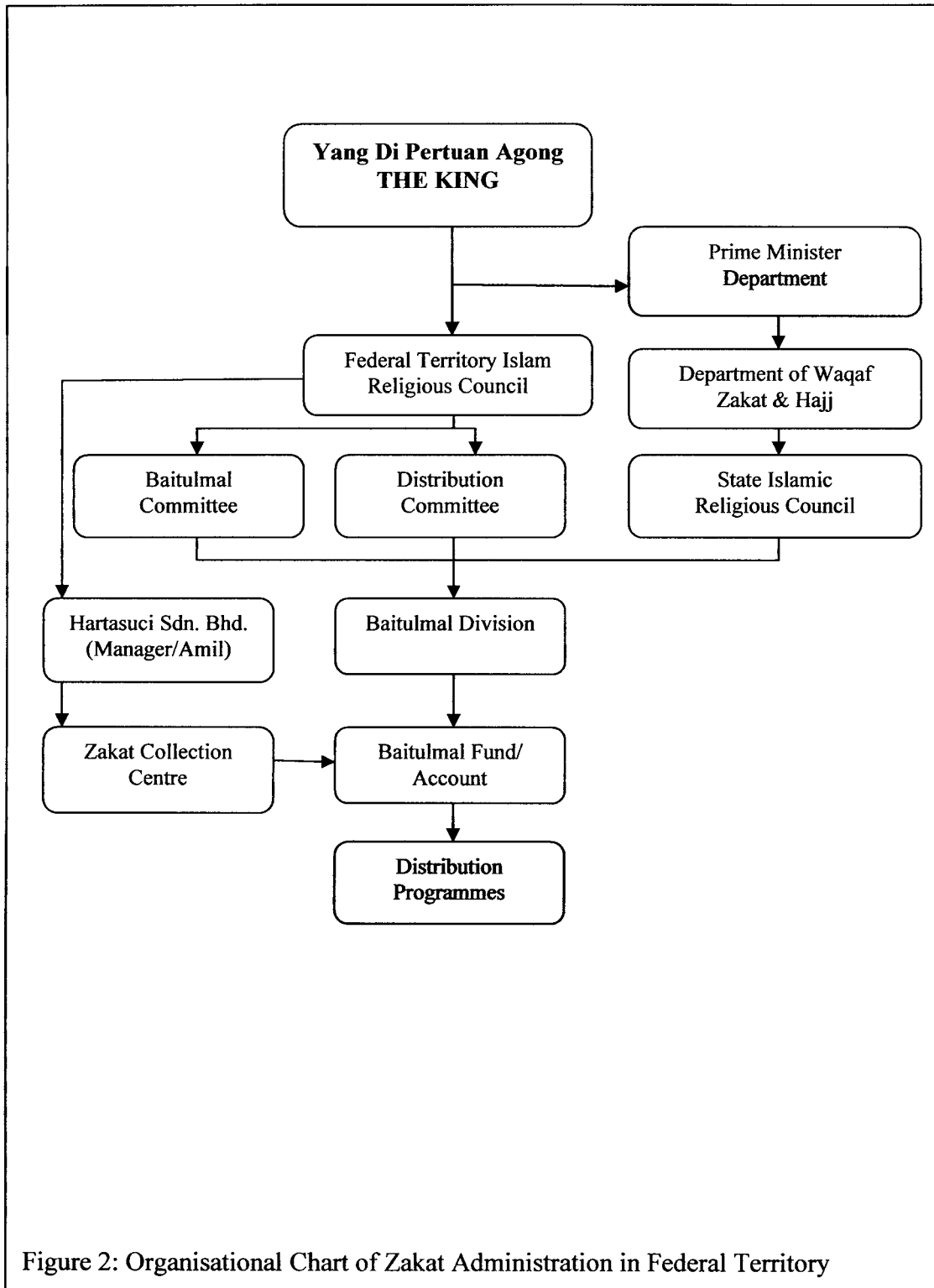
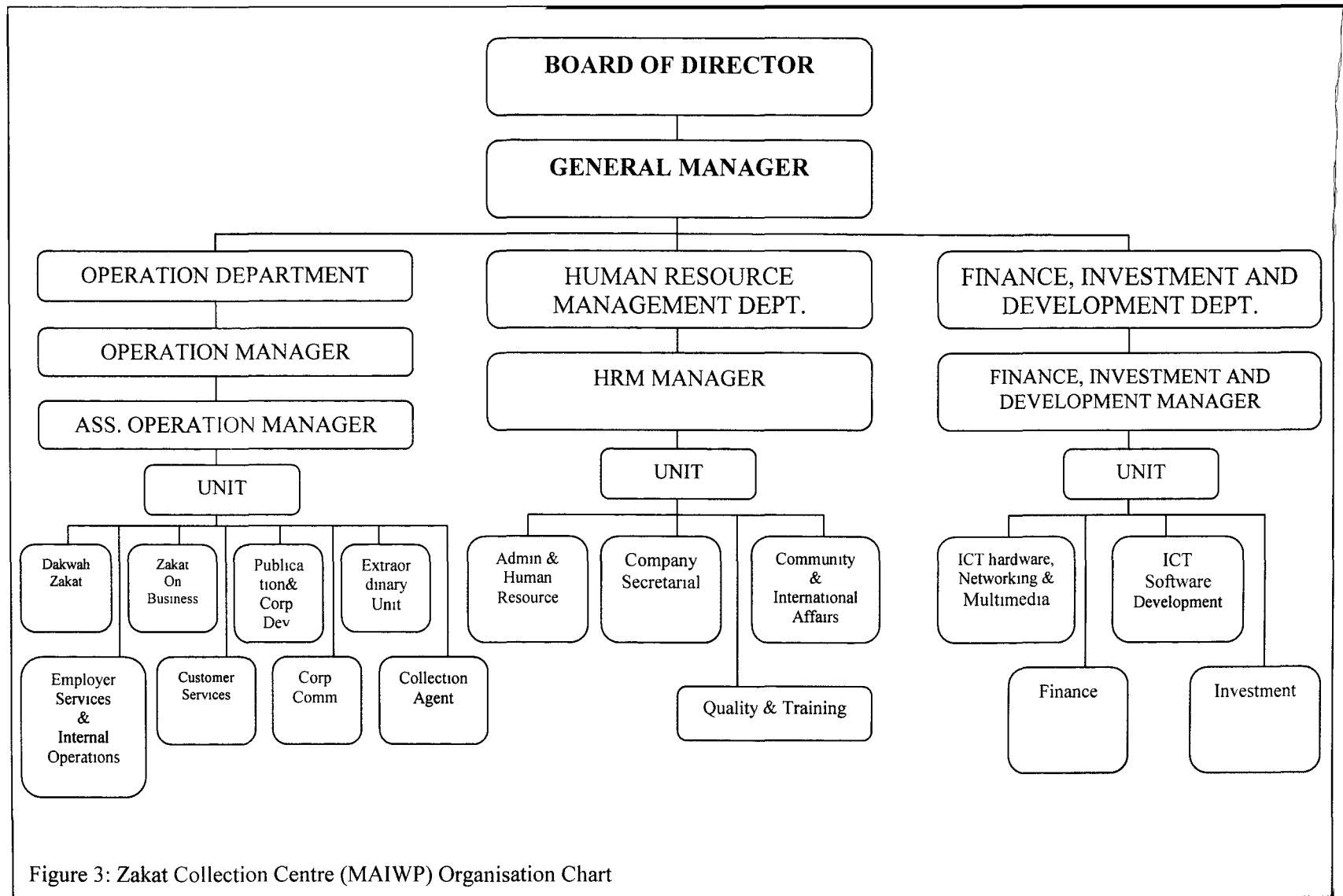


Figure 2: Organisational Chart of Zakat Administration in Federal Territory

In 1991, the Federal Territory Islamic Religious Council (MAIWP) had corporatised their zakat administration under the subsidiary known as Hartasuci Private Limited. After this corporatisation, the zakat organisation is known as Zakat Collection Centre or *Pusat Pungutan Zakat (PPZ)*. The establishment of this new organisation has exposed Zakat Collection Centre to the corporate style management combined with computerised collection system, proactive marketing and customer oriented approaches. The main responsibility of this organisation is to collect zakat on *mal* as well as zakat on *fitr* which is only covered in Federal Territories of Kuala Lumpur, Putrajaya and Labuan. For the zakat management in MAIWP, the zakat administration is divided into 2 divisions, which is Zakat Collection Centre that is responsible to collect zakat and Baitulmal under MAIWP, which is responsible for the distribution work.

In order to improve the performance of collection, MAIWP has listed the objectives or mission of the setting up the Zakat Collection Centre as a corporate style management;

- to improve and increase zakat collection;
- to facilitate zakat payers in performing their zakat obligation;
- to provide information on the obligation to pay zakat;
- to introduce computerized zakat collection system;
- to introduce corporate work style in zakat collection management.



The organisation of the Zakat Collection Centre is headed by the General Manager; Haji Mohd Rais Haji Alias and supervised by Board of Directors. Under the General Manager, there are 3 divisions for the zakat management; Operation Department, Human Resources Management Department, and Finance, Investment and Development Department.

Every division has its own manager in order to conduct the responsibility. Only the operation department has an assistant manager. In every department, they are several units such as in operation department, the units are; *dakwah* zakat, zakat on business, customer services, publication and corporate development, corporate communication, extraordinary unit, and collection agent.

For human resource management department, the units are administration and human resource, company secretarial, quality and training and community and international affairs. While, the other units are ICT hardware networking and multimedia finance, ICT software development and investment are listed under finance, investment, and development department.

The entire unit in every division is managed by the head of unit, and assisted by senior executive, executive and clerk.

1.2 Background of Study

Previously, before 1991 Zakat Collection Centre was fully managed by Federal Territory Islamic Religious Council (MAIWP). At that time, the collection and distribution of zakat was conducted in one organisation and it was also similar with other states.

Meantime, the performance of collection in zakat organisation also was not very encouraging. This situation became worse because it was caused by the non-effectiveness of the zakat organisation to conduct the zakat management, as mentioned by Sanep Ahmad, Hairunnizam Wahid & Adnan Mohamad in 2005 from their research about privatisation in zakat institution and the effect of payment through formal transaction in Malaysia; some of the factors on why Muslim society rather pay the zakat to informal zakat organisation are because the non-effectiveness of zakat management, corruption in organisation, inaccurate distribution etc. It also will affect the goodwill of an organisation among the public. As a result of the problems created by the zakat organisation itself, the Muslims society has negative impression on the role which has been played by this organisation. Meanwhile, some Muslims prefer to pay zakat directly to *asnafs* and not at zakat collection centre. Consequently, it had affected the performance of the collection within the states and the distribution of the zakat also was not balanced among the *asnafs*.

In order to overcome this problem, in 1991, Federal Territory Islamic Religious Council (MAIWP) had taken the initiative to corporatise the Zakat Collection Centre. The zakat management was divided into 2 divisions; Zakat

Collection Centre for collection and Baitulmal Division for distribution. With the corporatisation, there are some improvements in the statistics of zakat collection.

1.3 Objectives of the Study

The objective of the study is to examine the operational effectiveness of zakat organisations in order to improve the performance of zakat collection. By using the proper methods, several of factors which influenced their performance will come out from this study and in the end; some of strategies will be proposed as a solution for the factors.

1.4 Significance of the Study

There are several of basis why this study must be conduct in this organisation. The significance of the study are; to study the zakat management in Zakat Collection Centre, to identify the initiative and the strategy of the organisation to improve the zakat collection, to discover the external factors which influence the performance of zakat collection, to acknowledge the contribution and involvement of Zakat Collection Centre in distribution of zakat to *asnafs* which are maintained by Baitulmal Division, and to evaluate the performance of the Zakat Collection Centre based on the organisation's objective, mission and vision after corporatisation.

1.5 Research Questions

Below are the research questions used in the research;

- i. What are the strategies that Zakat Collection Centre have implemented to improve zakat collection?
- ii. How is the performance of zakat collection after the strategies are implemented?
- iii. What are the factors that can influence the performance of zakat collection?

1.6 Limitations of the Study

There are some limitations of study which are found during the progress of the project paper. The focus of this research is to study the effectiveness of zakat organisations after their corporatisation. This project paper is more related to a case study method in an organisation.

Due to the time constraint, this study only focuses on one or two aspects in the zakat organisation rather than the whole zakat management in the organisation. The main aspect of this study is about the performance zakat collection. Other aspects in an organisation such as internal growth perspective, human resource development, and financial performance, are not covered by this study.

The other limitation in this study is about the confidentiality of some information to be included in the analysis part. Therefore, the findings of the study are not comprehensive due to incomplete information. As a researcher, we have to bear in mind, not all the information could be exposed by the organisation because there are

some reasons behind this action. One of the reasons is the organisation must keep some information to protect them from other opponents which might threaten the operation of the organisation.

Finally, the study about the effectiveness of the organisation also needs the feedback from Muslim society regarding their perspective or satisfaction of the operation in zakat organisation. Possibly, we can include this aspect in the next research in order to make this study more significant.

1.7 Organisation of the Project Paper

The present chapter discusses about the background of zakat institutions which include the *ibadah* of zakat, the organisation of zakat in Malaysia and also in Federal Territory Islamic Religious Council (MAIWP). It also discusses the scope of the study, significance and also limitations. This chapter illustrates the background of the problem in order to make the overall aspect in this project paper is clear.

The next chapter is about literature review. In this part, it gathers all the previous study and information which are related with the scope of this project paper. The aspects which describe about the topics are; zakat administration in Malaysia, management of zakat institution, zakat and tax, level of awareness and distribution of zakat. It is shown in this chapter that no research about the effectiveness of the organisation has been conducted before.

Chapter three explains about the research methodology. The aspect which is discussed in this chapter is about research question and also method of analysis for the project. Meanwhile, the rationale for using the method of analysis is included. The

method for this project covers the analysis in external environment and internal environment. For external environment, the method of analysis is SLEPT analysis, whereas for internal environment, Balanced Scorecard, SWOT and TOWS matrix analysis are used.

Chapter four relates with data analysis and findings. This topic shows the analysis of method used for the study. All the data of the analysis are correlated in order to include in TOWS matrix analysis. This method is used as a tool to formulate the appropriate strategies which show clearly what strategy should be implemented by the company to achieve or to improve their performance in the industry.

The final chapter presents the conclusion and recommendations of the study. In this part, it includes recommendation for the practice, suggestion for future studies and also contribution to theory and practice. Therefore, the next researcher can refer to this chapter in order to get the view or several ideas to extend this study which can give some benefits to the Muslim society.