

DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other PhD at the University of Edinburgh.

MAHAMOD, Lukman Hakim

A handwritten signature in black ink, consisting of stylized initials and a surname, written over a horizontal dotted line.

Date: 30/05/2011

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Abstract

This study focuses on the factors contributing to the lack of emphasis by the Kedah Department of *Zakat* (KDoZ), Malaysia on the alleviation of poverty among the rural poor through *zakat* capital assistance programmes and employment opportunities. In this study, seven research questions were outlined. A mixed-methods study was developed to answer research questions 1, 2, 3 and 4. Research questions 5, 6 and 7 were answered using qualitative data. Quantitative data was collected from questionnaire. The sample size was 406 participants from among the capable poor who can work which received annual monetary assistance. Qualitative data was generated from the interviews with KDoZ officers (n=11) and participants for the qualitative method were selected purposefully. The responses to research questions 1, 2,3 and 4 show that the majority of the respondents were not aware of the existence of SHS. Respondents' awareness towards SHS programme is significantly related with the socio-economic and *zakat* assistance characteristics which are rate of districts' collection, number of years respondents receive *zakat* and distance of respondents' house from the KDoZ office. 80% of respondents interested to apply for the SHS programme. The factors contributing to apply SHS were current *zakat* assistance, current income, economic activity, lack of motivation and constraints. Furthermore, the lack of interest in SHS was significantly related to the age of the respondents. In answering research question 5, there were 3 factors leading to this approach by the KDoZ: 1) the KDoZ faces the constraints of low *zakat* collection caused by two subscales; 2) a high rate of failure among the recipients or the poor in economic activities; and 3) incompetence of members of the KDoZ committee. The answers to research question 6 were difficulties in dealing with the poor, responsibility of the state government, and the committee's lack of interest. The answers to research question 7 were factors related to politics, the committee and priority in providing financial assistance. There are 5 main findings which hindered the effective use of *zakat*, which are capitalist thinking, local collection rates, avoiding the query of Sultan, a large number of committee members and limited *zakat* funds allocated for administration. Finally, recommendations were provided to overcome these problems. Several additional recommendations for future research have emerged from this study and these have been briefly outlined.

Abbreviation

ABIM	<i>Angkatan Belia Islam Malaysia</i> (Malaysian Islamic Youth Movement)
AIM	<i>Amanah Ikhtiar Malaysia</i> (Endeavour Trust of Malaysia)
AMA	Annual Monetary Assistance
ANGKASA	<i>Angkatan Koperasi Kebangsaan Malaysia Berhad</i> (National Co-operative organization of Malaysia)
BERNAS	<i>Paddyberas Nasional Berhad</i> (National Paddy and Rice Inc.)
BIMB	<i>Bank Islam Malaysia Berhad</i> (Malaysian Islamic Bank Inc.)
BN	Barisan Nasional (National Front Government)
BJD	<i>Bantuan Jaya Diri</i> (Self-Help Support)
BPIMB	<i>Bank Pembangunan & Infrastruktur Malaysia Berhad</i> (Development & Infrastructural Bank Malaysia)
BRAC IGVD	Bangladesh Rural Advancement Committee – Income Generation for Vulnerable Group Development
CDP	Community Development Programme
CIMMYT	Centre for Maize and Wheat Improvement
CPRC	Chronic Poverty Research Centre
DC	Developing Countries
DID	Drainage and Irrigation Department
DRO	District Religious Officer
DZO	District <i>Zakat</i> Officer
ECFR	European Council for Fatwa and Research
EXCO	State Executive Councillors
FAMA	Federal Agricultural Marketing Authority
FELCRA	Federal Land Rehabilitation and Consolidation Authority
FELDA	Federal Land Development Authority
GDP	Gross Domestic Product
GMP	Guaranteed Minimum Price
GNP	Gross National Product
GR	Green Revolution
HGV	Heavy Goods Vehicle
HIV	Human Immunodeficiency Virus
HQ	Head Quarters
HYV	High-Yielding Varieties
IADP	Integrated Agricultural Development Programmes
IAMS	International Association of Muslim Scholars
IFAD	International Fund for Agricultural Development
IKaZ	<i>Institut Kajian Zakat Malaysia</i> (Malaysian Institute of <i>Zakat</i> Studies)
ILO	International Labour Organization
IMF	International Monetary Fund
IRD	Integrated Rural Development
IRBD	Inland Revenue Board of Department
IRRI	International Rice Research Institute
JAİK	<i>Jabatan Agama Islam Kedah</i> (Kedah Islamic Affairs Department)
JAIM	<i>Jabatan Agama Islam Melaka</i> (Melaka Islamic Affairs Department)
JAKIM	<i>Jabatan Kemajuan Islam Malaysia</i> (Malaysia Department of Islamic Development)

JAWI	Jabatan Agama Islam Wilayah Persekutuan (Federal Territory Islamic Affairs Department)
JKKK	<i>Jawatankuasa Keselamatan Kerja Kampung</i> (Village Security and Development Committee)
JKM	<i>Jabatan Kebajikan Masyarakat</i> (Department of Public Welfare)
JZWH	<i>Jabatan Zakat, Wakaf dan Haji</i> (Department of Zakat, Wakaf, and Haji)
KCS	Kedah Civil Service
KEMAS	Jabatan Kemajuan Masyarakat (Department of Community Development)
KDOZ	<i>Jabatan Zakat Kedah</i> (Kedah Department of Zakat)
KEDA	<i>Lembaga Kemajuan Wilayah Kedah</i> (Kedah Regional Development Authority)
KKLW	<i>Kementerian Kemajuan Luar Bandar dan Wilayah</i> (Ministry of Rural and Regional Development)
KWSP	<i>Kumpulan Wang Simpanan Pekerja</i> (Employees Provident Fund (EPF))
LDC	Least Developed Country
LUTH	<i>Lembaga Urusan Tabung Haji</i> (Pilgrim's Fund and Management Board)
LUZAM	<i>Lembaga Urusan Zakat Malaysia</i> (Malaysian Zakat Management Board)
MADA	Muda Agricultural Development Authority
MAIJ	<i>Majlis Agama Islam Johor</i> (Johor Islamic Affairs Council)
MAIK	<i>Majlis Agama Islam Kedah</i> (Kedah Islamic Affairs Council)
MAIMK	<i>Majlis Agama Islam dan Adat Istiadat Melayu Kelantan</i> (Kelantan Islamic Affairs and Malay Customs Council)
MAIM	<i>Majlis Agama Islam Melaka</i> (Melaka Islamic Affairs Council)
MAIN	<i>Majlis Agama Islam Negeri</i> (State Islamic Affairs Council)
MAIP	<i>Majlis Agama Islam Perak</i> (Perak Islamic Affairs Council)
MAIPP	<i>Majlis Agama Islam Pulau Pinang</i> (Pulau Pinang Islamic Affairs Council)
MAIS	<i>Majlis Agama Islam Selangor</i> (Selangor Islamic Affairs Council)
MAIWP	<i>Majlis Agama Islam Wilayah Persekutuan</i> (Federal Islamic Affairs Council)
MAKNA	<i>Majlis Kanser Negara</i> (National Cancer Council Malaysia)
MAPEN II	<i>Majlis Perundingan Ekonomi Negara Kedua</i> (Second National Economic Consultative Council)
MARA	<i>Majlis Amanah Rakyat</i> (Trust Council for Indigenous People)
MARDI	Malaysian Agricultural Research and Development Institute
MAS	Malaysia Airlines System
MV	Modern Varieties
M\$	Malaysian Ringgit (currency of Malaysia)
M-M System	Monopoly-Monopsony System
NEP	National Economic Policy
NGO	Non-Governmental Organizations
(p)	Peace be upon him (used when mentioning God's messengers)
OIC	Organization of the Islamic Conference

PAS	<i>Parti Islam Se Malaysia</i> (Pan-Malaysian Islamic Party)
PLI	Poverty Line Index
PPA	Participatory Poverty Assessment
PPK	<i>Pertubuhan Peladang Kawasan</i> (Farmers' Organization)
PPRT	<i>Program Pembangunan Rakyat Termiskin</i> (Development Programme for the Poor)
PPZWP	<i>Pusat Pungutan Zakat Wilayah Persekutuan</i> (Federal Zakat Collection Centre)
PRSP	Poverty Reduction Strategy Papers
PUSBA	<i>Pusat Bimbingan dan Latihan Saudara Baru</i> (Centre for the Training and Guidance of Muslim Converts)
RDA	Regional Development Authority
RED	Rural Economic Development
RIDA	Rural Industrial Development Authority
RISDA	Rubber Industry Smallholders Development Authority
SAPRIN	Structural Adjustment Participatory Review International Network
SAR	<i>Sekolah Agama Rakyat</i> (People's Religious School)
SEP	Social Exclusion Poverty
SMI	Small Medium Industry
TEKUN	<i>Tabung Ekonomi Kumpulan Usaha Niaga</i> (Entrepreneurial Group Economic Fund)
UMNO	United Malaya National Organization
YBK	<i>Yayasan Basmi Kemiskinan</i> (Poverty Eradication Foundation)
ZAR	South African Currency

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Chapter One

Introduction

1.0 Introduction

This chapter is the introduction to the whole thesis. Section 1.1 discusses the research focus and is followed by the statement of problems in section 1.2. Section 1.3 highlights the research question of the study while sections of 1.4 and 1.5 describe respectively the purpose, the objective and the scope of the study. Then it is followed by a section on the justification of the study (section 1.6). This section highlights the importance of this study and its contribution to the body of knowledge on the chosen subject. The last section is 1.7 which presents the structure of the thesis. This section highlights the main content of each chapter of the thesis. This chapter is expected to convey an overall understanding of the thesis content.

1.1 Focus of the study

Zakat, also known as alms giving, is one of the five basic tenets of Islam. The word *zakat* is the noun of the verb *zaka*, meaning to grow and to increase. Consequently, *zakat* means blessing, growth, cleanliness or betterment (Ahmad, 1999, p. 48; Majid, 2003, p. 3). It is so called because it blesses the wealth from which it is taken and protects it from misfortunes. Under Islamic belief, the rich Muslim must surrender a portion of his wealth to those who are rightfully deserving of it. The real ownership of everything, including wealth, belongs to God. Although Islamic teachings allow human beings to declare their ownership of property, a portion of it nevertheless belongs to others, and this must be surrendered, whether people like it or not (Ahmad, 1991, p. 49). Based on the practise of the Prophet Muhammad (p), who sent *amilis* (*zakat* collectors) to collect *zakat*, it can be seen that *zakat* collection is controlled by the ruler of the Muslim state (Al-Qaradawi, 1999, pp. 474-489; Hasanuzzaman, 1974, p. 162). However, some Muslim jurists considered it preferable to pay *zakat* directly to the beneficiaries (Siddiqi, 1983, pp. 132-133).

In the Malaysian context, the ruler is the Sultan, who is by right the main administrator of *zakat* in the state. However, the Sultan has appointed the *Majlis Agama Islam Negeri* (State Islamic Religious Council, henceforth MAIN) to collect and distribute *zakat*. The MAIN will divide the *zakat* to eight beneficiaries. One beneficiary of the *zakat* is MAIN, and five out of the remaining seven beneficiaries will go to those who are in desperate need. These are the poor, the needy, the debtors, the slaves (to free them from captivity), and travelers in need. Others are the sympathisers (those who are inclined to enter or have already converted to Islam) and for the cause of Allah. This shows that one of the major philosophies and importance of *zakat* is to narrow the gap between the poor and the wealthy, thus creating a balanced nation (Weiss, 2002; Wahid, Ahmad and Nor, 2004; Hassan and Khan, 2007).

Zakat is used to help the poor who are able to work by applying two approaches. Firstly, for those who are unskilled, MAIN can provide them with training and create work opportunities for them, for example, in the industrial sector. For Muslims who are skilled but lack the capital to start working, the *zakat* collected can be given to them as their capital. Subsequently, they can become involved in businesses which could bring about improvements to the economy not only to the individual but to the community as a whole. The advantages of capital assistance are the recipients of *zakat* are not required to make repayments and the assistance would be given continuously until the *zakat* receiver succeeds (Ahmed, 2004; Latif, 2001). In contrast, if the recipients of monetary assistance given by the government encounter failure in their businesses, there would be less opportunity to receive assistance for the second time. Similarly, the loan offered by the credit institutions and non-governmental organisations (NGO) only benefits the poor who possess property that they can mortgage (Hulme and Moseley, 1997; Susan and John, 1997; M.K. Hassan, 2010).

However, the effectiveness of *zakat* in alleviating poverty through economic programme is dependent upon the amount of *zakat* collected. A small amount of *zakat* will give difficulty to the MAIN to conduct economic projects which require high expenditure (Latif, 2001, p. 43). In Peninsular Malaysia, three MAINs with the lowest collection of *zakat* are the MAIN of Kelantan, Terengganu and Kedah. In

addition, the poverty rate is high in those states, where it is 15% in Kelantan, 10% in Terengganu and 7% in Kedah (Malaysia Economic Planning Unit, 2005, p. 3229). The incidence of poverty is influenced by the high dependence of the population on the rural sectors or traditional agricultural activities. There are two main agricultural activities in which the majority of Muslims are involved which are the rubber and paddy sectors. The majority of paddy farmers earn below the poverty line and, consequently, are not able to pay *zakat* (Tahir, Sanusi and Azizan, pp. 122-123). In terms of those involved in the rubber sector, they are not only poor but are also less aware about *zakat* that is obligatory upon them from the income generated from the sale of the rubber (Khadri Shaari, personal communication, February, 15, 2006). This ultimately results in low collections of *zakat*.

One of the approaches to increase *zakat* collection is by creating a group of businessmen from the *zakat* recipients. The successful businessmen, who are originally recipients of the *zakat*, will then be able to become *zakat* payers. Accordingly, the *zakat* collection will increase (Ahmed, 2008, p.108; P. Ibrahim, 2008, p. 238). All the MAINs have the provision of providing monetary assistance for Muslims to serve as capital for them to begin economic activities such as small businesses. However, only the MAIN of Selangor has put in efforts to produce successful businessmen from the *zakat* receivers. On the other hand, the other MAINs are not putting much initiative into entrepreneurial programmes (Wahab, Balwi and Halim, 2008, pp. 580-581).

The above phenomenon shows the need for reviewing the factors that influence the effectiveness of the distribution *zakat* in the form of capital assistance. Thus, the focus of this study is to discover if the phenomenon leads to poor implementation of economic improvement programmes by the MAIN, particularly in the poor states where the majority of the Muslims are involved in the agricultural sector.

1.2 Problems in developing *zakat* entrepreneurs

The concept of *zakat* entrepreneurs involves the training of the poor population receiving adequate amounts of *zakat* assistance to enable them to rise above the poverty level and to subsequently become *zakat* contributors instead of receivers

(Hassan, 2001b, pp. 49-50). There are two advantages in the practice of developing *zakat* entrepreneurs: 1) it is the best approach for poverty alleviation and 2) it can increase the *zakat* collection because the entrepreneurs created from the concept will become contributors. The *zakat* entrepreneur concept is the best approach for *zakat* management bodies with low *zakat* collection.

In 2009, all MAINs initiated capital assistance programmes for the poor and needy. However, this initiative has not succeeded (Wahab, Balwi & Halim, 2008, pp. 580-581). One of the phenomena contributing to the failure of entrepreneurship programmes among *zakat* receivers is the failure of the receivers in their economic endeavours. According to Abu Sufian Abu Bakar (2002, p. 23), the *zakat* management bodies are of the opinion that the failure of the assistance recipients will cause losses to the *zakat* fund. Due to this belief, the amount of *zakat* assistance distributed is low. This perception also affects the approach used in distribution of capital assistance whereby the MAINs or *zakat* management bodies give priority to those who have already started their entrepreneurial activity. Those who are just starting out will have a low chance of obtaining capital assistance. Furthermore, the approach of distributing small amounts of assistance will only help the poor escape from poverty. It will not enable them to carry out their entrepreneurial activities successfully (Wahab et al., 2008; p. 581; Bakar, 2002, pp. 22-23; Ibrahim, 2008, p. 238).

The second phenomenon is influenced by the management of *zakat* by the MAINs. *Zakat* institutions, which are not fully autonomous in the distribution of *zakat*, contribute less towards the training of *zakat* entrepreneurs. This is due to the fact that the committee planning and determining the distribution programmes have *shari'ah* educational backgrounds but lack professional skills (Sadeq, 1995). This results in the inefficient distribution of *zakat* (Malaysia Department of Islamic Development [JAKIM], 2002; Hassan, 2010, pp. 235-237). This notion is supported by Noor, et al., (2004, pp. 257-258), who agree that the distribution of *zakat* in Malaysia is not managed properly due to the lack of skilled manpower and professional networks. Lack of autonomy in *zakat* departments causes lack of manpower despite the need for adequate monitoring for the success of *zakat* entrepreneurial programmes. According to Jaafar (2004, p. 144), among the factors

contributing to the inability of the *Baitulmal* Kuala Lumpur, which has the highest *zakat* collection in the country, to organise successful entrepreneurial programmes is the lack of manpower. On the other hand, the Selangor Islamic Religious Council, which has privatised *zakat* collection and distribution through an entity known as *Lembaga Zakat* Selangor has succeeded in training *zakat* entrepreneurs (Wahab et al., 2008, p. 581). Therefore, according to Latif (2001, p. 49), the lack of *zakat* funds is no excuse for the inability of the *zakat* management bodies to carry out better *zakat* distribution methods that will help alleviate poverty.

The third phenomenon is capital assistance that is free or does not require repayment. Because of this, the amount given as assistance is small especially amongst *zakat* institutions that are not privatised (Rahman et al., 2008, p. 5). This is influenced by the 'fear of failure', which has been discussed in detail previously.

The fourth phenomenon is the background of the *zakat* recipients. Most of the poor are unskilled, which deters them from involvement in entrepreneurship programmes. Those who are inclined to apply for capital assistance are those already involved in business activities. This can be seen in the study done by A.S.A. Bakar (2002, p. 15), which found that the majority (85%) of the *zakat* economic assistance receivers in Wilayah Persekutuan in 2002 were those who are already involved in the business sector.

1.3 Background of problems

Among the three poorest states with the lowest amount of *zakat* collection in Peninsular Malaysia is Kelantan, Terengganu and Kedah. Among the three states, Terengganu and Kelantan have just implemented a new programme for economic assistance. However, the MAINs from the two states are not giving emphasis on job creation through investment (JAKIM, 2002).

The Kedah Department of *Zakat* (henceforth KDoZ), which administers *zakat* in the state of Kedah, has given monetary assistance using *zakat* for economic programmes since 1973. Moreover, the KDoZ has also bought property, mainly paddy fields to be rented out to the poor (*Jabatan Zakat Kedah*, 1973). In the current practices of the KDoZ, there are two forms of assistance available to the poor who are able to work namely 1) Annual Monetary Assistance (henceforth AMA), and 2)

Self-Help Support (henceforth SHS). Comparing the two, the approach of capital assistance through SHS to the poor is the best way to help them out of poverty. In a study by Noor, et al., (2004, p. 78) state recipients who received assistance other than capital assistance are satisfied with the assistance which enables them to obtain their basic needs. However, the recipients are not content that they should remain in poverty, if they only receive monetary assistance.

Table 1.1 below shows the comparisons between the AMA and SHS recipients from the years 2003 to 2006. The average number of new beneficiaries receiving AMA assistance between 2004 to 2006 is 363. The average *zakat* funds given to new recipients of the AMA from the years 2004 to 2006 are M\$ 320,000 per annum. In contrast the average *zakat* funds given every year to the SHS are M\$ 33,000 per annum. This scenario shows that the KDoZ still prefers the AMA. In view of this scenario, the focus of the study then is to discover the contributing factors behind the preference of the KDoZ for the AMA in order to help the poor (instead of SHS).

Table 1.1: Comparisons between the AMA and SHS recipients

Year	AMA		SHS	
	Total number of AMA recipients	Total <i>zakat</i> fund disbursement for AMA recipients (M\$)	Number of SHS recipients	Total <i>zakat</i> fund disbursement for SHS recipients (M\$)
2003	10855	6,508,466		27,000
2004	11497 *(642)	7,214,220 *** (705,704)	39	12,200
2005	11720 *(223)	7,325,000 *** (110,780)	33	30,553
2006	11946 *(226)	7,466,850 *** (141,850)	35	54,979
	** 363	****319,444	*****36	*****32,577

Source: Various Annual Report *Zakat (Laporan Zakat Tahunan)* from 2003 – 2006

* Number of new recipients of AMA ** 363 Average recipients of AMA (2004-2006)
 *** Total *zakat* fund disbursement for new AMA **** Average total *zakat* for AMA (2004-2006)
 ***** 36 Average recipients of AMA (2004-2006) ***** Average total *zakat* for SHS (2004-2006)

The distribution of *zakat* to the poor should be given priority in the area where the *zakat* is collected. The aim is to demonstrate to *zakat* payers that the ruler has distributed *zakat* to the poor in their area (Monzer, 1991; Ajeel, 1995, & Al-Qaradawi 1999). Referring to the KDoZ, the *zakat* received from the *zakat* payers are

recorded based on the district in which they live. For example, the districts of Kota Setar and Kuala Muda have the highest total *zakat* collection (Table 1.2). The total collections in the districts of Kuala Muda, Pendang, Padang Terap, Sik, Baling, Bandar Baharu, Langkawi and Yan are lower than the former districts. The reason for the low collection of *zakat* is that the income is generated from agricultural activities, such as paddy-planting and rubber.

Table 1.2: Collection of *zakat* by district, 2005-2007

District	2005 (M\$)	%	2006 (M\$)	%	2007 (M\$)	%
Kota Setar	21,601,376	71	30,215,201	78	29,820,836	75
Kuala Muda	3,465,886	11	2,923,096	8	2,961,223	7
Kulim	1,162,941	4	1,297,741	3	1,693,248	4
Baling	370,302	1	463,485	1	575,511	1
Kubang Pasu	1,332,359	4	1,360,461	3	1,741,921	4
Yan	1,102,025	4	1,043,618	3	1,128,009	3
Sik	130,465	0	154,579	0	188,029	0
Pendang	362,503	1	372,935	1	496,978	1
Padang Terap	164,468	1	194,493	1	252,266	1
Langkawi	592,376	2	717,655	2	925,604	2
Bandar Baharu	119,361.00	0	148,080	0	241,790	1
Total	30,404,062	100	38,891,344	100	40,025,415	100

Source: Various Annual Report *Zakat (Laporan Zakat Tahunan)* from 2004 – 2007

Table 1.3 below shows the number of recipients according to district. The majority of recipients are from the district of Kota Setar. However, in other regions, especially with low local *zakat* collections, the number of recipients is small. This leads to the question, is the distribution of capital support influenced by the amount of *zakat* collection within a locality? Is the KDoZ interested in creating entrepreneurs from the *zakat* recipients in an area with low *zakat* collection?

Table 1.3: Number of SHS recipients, 2007 – 2009

District	2007			2008		
	Total <i>zakat</i> fund disbursement for	%	Number of recipients	Total <i>zakat</i> fund disbursement for	%	Number of recipients

	SHS (2007)			SHS (2008)		
Kota Setar	30,340.00	37.8	30	92,508.00	59.4	68
Kuala Muda	6,680.00	8.3	4	9,600.00	6.2	7
Kulim	6,000.00	7.5	3	8,890.00	5.7	7
Baling	None	0	0	1,500.00	1.0	1
Kubang Pasu	3,590.00	4.5	1	11,600.00	7.4	4
Yan	4,200.00	5.2	2	7,000.00	4.5	5
Sik	4,600.00	5.7	2	-	0	0
Pendang	24,780.00	30.9	16	20,750.00	13.3	17
Padang Terap	None	0	0	1,400.00	0.9	1
Langkawi	None	0	0	-	0	0
Bandar Baharu	None	0	0	2,500.00	1.6	2

Source: Various Annual Report *Zakat (Laporan Zakat Tahunan)* from 2007 – 2008

The KDoZ has a branch office in every district and these branches will enable the institution to reach its target customers or clients immediately, thus reducing costs and time. The KDoZ also has a branch office in every district where establishment of branch offices in each district is to facilitate the beneficiaries to collect AMA. In addition, beneficiaries may obtain more information on the charity. However, the question would like to highlight here is why there are more AMA recipients compared to SHS. For example, is distance still a factor in preventing the distribution of the SHS? Another question is for the regular receivers of the AMA, are they being given advice to seek help from the SHS?

The success of microcredit assistance in alleviating poverty conducting by *Amanah Ikhtiar Malaysia* (Endeavour Trust of Malaysia, henceforth AIM) is influenced by the number of officers or manpower. Extensive manpower enables them to reach the public in offering loans as well as monitoring the operation of the economic programmes (Rahman et al., 2008, p. 6). On the other hand, for the KDoZ and other MAINs, the poor have to go to the office to ask for *zakat* assistance rather than being approached by a *zakat* officer. This can be proven through a study by Noor et al. (2004, p. 70), where 54.3 % of the respondents received their *zakat* by applying at the MAIN. With regard to the KDoZ, the number of employees in each

local *zakat* office is about two people whose task is to control the management of *zakat* for the whole district. Does the number of *zakat* officers influence the distribution of *zakat* and promotion of the SHS? If so, why has there not been any recruitment of new employees?

One of the approaches to make the KDoZ closer to the rural community is by working with the *imam*. An *imam* is the head of a Muslim congregation who leads the prayers as well as religious ceremonies. The roles of the *imam* include disseminating information regarding *zakat*. Usually the information is disseminated before the Friday sermon which is a prelude to the obligatory Friday prayers for male Muslims. Besides the written materials, posters are given to the *imam* to be displayed on the notice board of the mosque. The question is, are the poor aware that the *imam* is a representative of the KDoZ, and has the *imam* helped in promoting the SHS to the current the AMA recipients?

The existing approach for *zakat* assistance discourages the receiver to become entrepreneurs who hold the potential to pay *zakat* in the future. This is due to the small monetary assistance given (Bakar, 2002, p. 22). One of the reasons leading to the failure of larger capital assistance distribution is that the amount of assistance which exceeds the pre-determined limit requires approval from the chairman or committee of MAIN (Malaysia Administrative Modernisation and Management Planning Unit [MAMPU], 1984; JAKIM, 2002). With reference to the KDoZ, the average capital distribution is M\$ 2000 in the form of either equipments or cash. However, the SHS programme will usually be given in the form of equipment rather than cash. The amount of SHS programme has not been changed even though the *zakat* collection has increased. Such situation has lead to the question on whether assistance, which is valued higher than the prescribed amount, would need approval from the committee or not. Problems in relation to centralisation of approval have been around since 1984 when it was first highlighted by Malaysia Administrative Modernisation and Management Planning Unit [MAMPU], (1984). One of the suggestions by MAMPU (1984) is to grant power to the lower ranked officers to approve large amounts of capital assistance. Later on, the question of why the KDoZ have not granted the power for secretaries to approve such requests for capital assistance was raised.

Apart from capital, the KDoZ also provides employment opportunities for the poor. This is undertaken by investing the *zakat* collected in real estate such as agricultural land and stalls. The KDoZ owns almost 283 hectare of paddy fields which is rented out to 400 poor, and there are 17 other stalls with an average size of 1600 square feet each. These real estate investments were initiated in the early establishment of the KDoZ and were continued until the early 1980s (Jabatan *Zakat* Kedah, 2007). In the middle of 1980s the interest shifted from the above mentioned assets to the purchase of office and commercial buildings. The building lots were later on rented out to government and non-government agencies (Jabatan *Zakat* Kedah, 2000). However, it is apparent that the KDoZ has made little investments in purchasing real estate which can offer employment opportunities to the Muslim community involved in the rural agriculture sector.

In the states of Selangor and the Federal Territory of Kuala Lumpur, the MAIN has established a training centre for the poor in order to provide training and skills. In this case, both MAINs have large funds, thus making them capable of establishing a training centre. Cooperation between MAIN and other agencies is crucial especially to the state with a low collection amount of *zakat* (Wahab et al., 2008). The KDoZ is currently cooperating with the MAIN of Kedah and the *pondok* institutions (Islamic people's religious schools). Further cooperation with the MAIN of Kedah covers contributions for maintaining homes for the *muallaf*, while its cooperation with *pondok* concerns with the provision of shelters for old folks (Jabatan *Zakat* Kedah, 2006). This matter has raised the question as to why the KDoZ has not established any cooperation with rural agencies.

1.4 Research Question

Based on the background of the problems discussed earlier, the problem statement for this study is **‘Why has the KDoZ not emphasised on the distribution of economic assistance to the poor with the capability to work but have not enough capital, especially those who are involved in the rural agricultural sector’?**

Based on the above problem statement, several research questions have been constructed for the study as follows:

1. Are the poor, who are capable of working, aware of the SHS?
2. Are the poor, who are capable of working, interested with the SHS?
3. Is there any relation between the awareness of the poor to the SHS with the amount of *zakat* the district collects, the number of years *zakat* is received, and the distance of the location of poor from the District Office?
4. What are the factors that influence their interest and non-interest?
5. Why is the SHS not distributed directly to the poor among the recipients of the AMA?
6. Why is the real estate investment that offers employment opportunities to the poor not given much attention?
7. Why is there no cooperation between the KDoZ and the rural agency in implementing the economic programme?

1.5 Aim and objectives of the study

This study aims to explain the phenomenon that leads to the lack of emphasis by the KDoZ in implementation of the *zakat* economic assistance programmes. In order to achieve the above mentioned aim and provide answers to the research questions, six objectives have been developed:

1. To describe the level of awareness and interest towards the SHS programme.
2. To determine the relationship between the socio-demographic background of the recipients of *zakat* assistance and their awareness of the SHS programme.

3. To identify factors closely associated with the interest and lack of interest of the recipients of *zakat* assistance to apply for the SHS programme.
4. To identify the phenomenon leading to the lack of direct distribution of the SHS programme to the capable poor in rural areas by the KDoZ
5. To identify the phenomenon behind the reluctance of the KDoZ to invest in economic activities that will provide employment opportunities for the poor
6. To identify the phenomenon leading to the lack of cooperation between the *zakat* institution with other rural agencies

1.6 Scope of the study

The aim of this study is to identify the phenomena which lead to the implementation of *zakat* economic assistance programmes at a particular institution. To achieve this aim, this study has employed a case study as its approach. Case studies provide deep understanding which is suitable to achieve the stated aim of this study. This study chooses the Kedah Department of *Zakat* as a case study. However, this choice does not indicate that other MAINs do not have any problems in the implementation of the *zakat* economic assistance programmes. Rather, the administration of *zakat*, which is under the responsibility of the Sultan, is also influenced by the issues and problems of *zakat* distribution. The state of Kedah was selected because it is one of the first *zakat* institutions which has implemented projects to boost the economy especially those using the method of employment opportunities through real estate investment. Furthermore, the poverty rate in Kedah is the third highest in Malaysia after Kelantan and Terengganu. Kelantan and Terengganu have not been chosen due to the fact that they do not carry out any economic programmes which offer employment opportunities. Another reason is that the administration of *zakat* in Kedah is different from other states in Malaysia in terms of its organisation.¹

The research scope encompasses two basic areas which are theoretical discussions and case study. At the beginning of the study, understanding the advantages of *zakat* in comparison to contemporary approach and administration of *zakat* in Malaysia is necessary before analysing the case study. The research scope in the theoretical part encompasses:

¹ Detailed discussion on justification of study area in Chapter Five

1. To understand the rural poverty alleviation approach in less developed countries. The aim of this scope is to study the philosophies that have been used in poverty alleviation programmes in developing countries. Prior to understanding the philosophical approach, the definition and concept of poverty and rural are also covered.
2. To identify the administration style of *zakat* in Malaysia as well as efforts of the federal government in using *zakat* for poverty alleviation purposes. This section involves the understanding of *zakat* administration in Malaysia including collecting *zakat*, efforts of federal government in using *zakat* at the federal level, and issues in distributing *zakat*.
3. To investigate the current practise and the *zakat* economic assistance programme least emphasised by KDoZ, as the case study for this research. This study includes identifying the current approach for poverty alleviation. Other information includes the background of the KDoZ, including the history of its establishment, administration style and *zakat* collection methods.

The scopes highlighted are based on the literature review as well as informal interviews with prominent figures in this subject area are in order to generate the overall research framework, particularly during the preparation of the questionnaire survey and questions for interview.

After addressing the theoretical parts, the next scope is to answer the research questions posed in order to achieve the objectives related to the implementation of the economic *zakat* assistance through the SHS by the KDoZ. These scopes include:

1. Monitoring the awareness of the poor towards the SHS. A questionnaire survey has been conducted to interview the recipients of the AMA. The information required from them includes their awareness of the SHS, interest in economic assistance as well as problems of the existing *zakat* assistance.
2. Identifying issues and problems faced by officers in the district level as well as at the Headquarters in distributing the SHS.
3. Identifying the perception of the committee members towards the implementation of the SHS in alleviating poverty.

The process of information gathering is important in order to understand the nature of factors that influence the implementation of the *zakat* economic assistance in Kedah.

1.7 Significance of the study

In general, this study benefits researchers who are interested in ideas for Islamic development. It provides a discussion on methods of poverty alleviation for Muslims and considers both Islamic and contemporary ways of improving economic conditions. This is the first study in the subject area that attempts to analyse comprehensively the phenomenon that leads to the lack of attention with regard to the *zakat* distribution through capital assistance programmes in order to improve the conditions of the rural population in Malaysia. This study also has some potential significance for the following:

1. The Kedah Department of *Zakat* where the results of this study show that an organisational factor is a vital element influencing the lack of economic assistance among the rural poor. With that, the outcome of this study would benefit the KDoZ in catering to this situation. This study will show that the rural poor involved in agriculture have made some major contributions in the collection of *zakat*. Thus, economic assistance is a must to those involved in this particular sector.
2. The MAIN where this study will demonstrate that officers of *zakat* institutions should not possess the perception that the failure of the *zakat* recipient to revive their economic wellbeing would indicate that the *zakat* fund has been wasted. If such perception exists, than there will be no difference between the *zakat* economic assistance fund and contemporary financing.
3. Rural development agencies and authorities where it is hoped that this study can open up opportunities for rural planners, especially those serving the District Councils and Local Authorities, to collaborate in the economic development of the rural poor.

1.8 Thesis structure

The thesis is presented in nine chapters. Chapter One outlines an overview of the study that includes the research background, problem statement, aim and objectives. This provides an understanding on the purpose and the conceptual framework of this study. Chapter Two discusses the definitions and the concept of rural areas and the hardcore poverty in rural areas with focus on less developed countries. Then, it highlights the problems of alleviating poverty in developing countries. The second section follows the same pattern, focusing specifically on Malaysia. Chapter Three is divided into two sections. The first section discusses the basic concept of *zakat* by offering a definition of this tax and describing the methods of its collection and the distribution of its revenue. The primary aim of this section is to highlight some important issues and to investigate modern attitudes towards *zakat*. The second section introduces the administration of *zakat* in Malaysia. Understanding this aspect provides a functional framework on which to base further discussions about the administration of *zakat* in Kedah in Chapter Four. This section also discusses how the collection and distribution of *zakat* affect *paddy* farmers, who are among the poorest segment of Malaysian society. Another topic covered in this chapter is how the Malaysian Government can use *zakat* to alleviate poverty at the national level. Chapter Four focuses on the administration of *zakat* in Kedah. The chapter begins with the historical establishment of the KDoZ and the differences between the KDoZ and other *zakat* agencies in Malaysia.

The overall research design for this thesis is described in Chapter 5. It covers the research instruments, the development of research questions and the scope of the thesis work. The discussion on the preference for using qualitative and quantitative method of research is also highlighted. It also explains the research data sources, the pilot stage, the choice of subjects, the scope for the study, the sampling procedure, the data collection approach and the data analysis technique. Meanwhile, Chapter Six discusses the results and findings from the questionnaire survey. Chapter Seven then discusses the factors influencing the lack of opportunity for economic assistance based on the perception of the respondents from various levels in the KDoZ.

Chapter Eight extracts the key phenomena which lead to a lack of opportunity for the poor in receiving the *zakat* economic assistance. The discussion is presented based on the results and analysis of questionnaire surveys and interviews as outlined in Chapters 5, 6 and 7. Discussions are also based on analysis of the findings derived from Chapter 2, 3 and 4. Finally, Chapter Nine reconsiders the research questions. This chapter also provides a summary of the thesis, recommendations for the future as well as implications for further research.

Chapter Two

Definition, concept and problems of poverty alleviation in Less Developed Countries (LDCs) and Malaysia: an overview

2.0 Introduction

The current approaches adopted by LDCs are influenced by capitalist ideology, where funding assistance and rural poverty alleviation programmes are conducted by government agencies, international bodies as well as NGOs. This background chapter discusses the definition, concept and development of rural poverty alleviation in Malaysia and LDCs since the 1950s, and disadvantages of the poverty alleviation programmes to the poorest rural people.

2.1 Definition and concept of rural poverty in the less developed countries (LDCs)

2.1.1 Definition: rural and LDCs

The term “rural”, as defined by the Oxford Dictionary (1989) is “of persons: living in the country; having the standing, qualities, or manners of peasants or country-folk; engaged in country occupations; agricultural or pastoral”. The definition shows that a rural area is synonymous with the agricultural sector as the main economic activity. Another indicator always used by both LDCs and Developed Countries (DCs) is the level of population. The International Fund for Agricultural Development [IFAD] (2001, p. 17), which is actively participating in poverty research in LDCs, defines a rural area as follows: Firstly, rural people usually live in a farmstead or in groups of houses containing perhaps 5,000–10,000 persons, separated by farmland, pasture, trees or scrubland. Secondly, most rural people spend most of their working time on farms.

In the United States, rural areas comprise open country and settlements of fewer than 2,500 residents (United States Department of Agriculture, 2003). The level of population used in the United States is similar to that used in Scotland and Ireland. Scotland defines rural areas as settlements with a population of less than 3,000 residents, whereas in Ireland, the limit is 2,500 residents (Northern Ireland

Statistics and Research Agency, 2005). In contrast, a rural area in England and Wales is an area with a population of fewer than 10,000 residents, comprising small towns, villages and scattered dwellings (Department of the Environment, Food and Rural Affairs, 2004).

However, relying solely on demography is not appropriate for the LDCs, because the annual population growth is 2–3 per cent, sometimes more. Therefore, any rural area with a population level close to the borderline could be declared an urban area within a few years, even though the residents are not yet ready to change their way of life (IFAD, 2001).

Agricultural activity is synonymous with poverty. In the 1950s, most of the countries dependent on agriculture were poor and were classified as LDCs. According to the then US President Truman (as cited in Rist, 1997), LDCs were countries which produce “their food inadequately, [who are] victims of disease, where economically life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas” (p. 249).

2.1.2 Definition and concept of poverty: Overview

2.1.2.1 Monetary approach

Until today, there has been no specific definition of poverty. Poverty has been globally understood as an insufficient income or resources to meet one’s essential needs. This monetary approach was introduced at the beginning of the twentieth century. One important study of the definition of poverty according to the requirements for subsistence was conducted by Rowntree (1902). People were considered to be living in poverty if their income was not “sufficient to obtain the minimum necessities for the maintenance of merely physical efficiency” (p. 22). This definition clearly reflects Rowntree’s background as a nutritionist, for he realized that people could not work efficiently without enough nutrition to sustain the body. Later, this concept was adapted by national and international agencies such as the World Bank and the International Monetary Fund (IMF) in the 1950s and 1960s (Townsend, 1993).

In the 1970s, the monetary approach covered not only the essential requirements for survival but also other basic needs, such as education, health care, water

supplies, etc. Based on that concept, rural poverty was defined by the International Labour Organization [ILO] (1976) as:

Meeting the minimum requirements of a family for personal consumption: food, shelter, clothing; it implies access to essential services, such as safe drinking-water, sanitation, transport, health and education ... it should further imply the satisfaction of needs of a more qualitative nature: a healthy, humane and satisfying environment, and popular participation in the making of decisions (p. 7).

The differentiation between the poor and non-poor is measured by using the Poverty Line Income (PLI), which was first introduced in 1965. The poverty line is the minimum cost of providing the essential requirements for each person. Those whose income falls below that level are classified as poor (David & Spicker, 1999, p. 104; Dixon & Makarov, 1998, p. 9).² The advantage of using the poverty line in this way is that it provides statistics showing the proportion of poor in a population. Its shortcoming is that it is formulated by external experts, who decide which criteria should be used to calculate the minimum level of expenditure on the least-cost food and non-food. Even though democracy and public opinion have been used to allow people to decide their own minimum requirements, yet they are influenced by experts (Lister, 2004). Another disadvantage is that the poverty line cannot describe the actual condition of the poor, since some people need extra income to enable them to enjoy the same standard of living as their fellow citizens. For example, the sick or disabled need more money to pay for their prescriptions or appliances (Ariffin, 1994). Thus, the disadvantages of the monetary approach led to the creation of the capability approach to defining poverty.

2.1.2.2 Capability approach

The capability approach defines poverty according to the incapability of a person to live a valued life. In contrast to the monetary approach, income is considered only a means to enhance well-being, not to differentiate between poor and non-poor. Every individual or group of people requires a different level of income to maintain an acceptable quality of life. Therefore, to identify the poor and non-poor, one should know and take into account what that person can do or achieve. A person is poor if he/she is unable to perform certain actions or achieve certain objectives. Based on

² The poverty line is measured by combining the expenditure on the least-cost food and non-food. First, the total of the least-cost food for minimum calorie requirements is calculated, and then this amount is increased by an appropriate proportion to allow for expenditure on non-food.

this framework, poverty is defined as the “failure to achieve certain minimal or basic capabilities, where ‘basic capabilities’ are ‘the ability to satisfy certain minimal adequate levels” (Sen, 1993, p. 34).

This approach is similar to al-Qaradawi’s (1999, p. 345) work on the definition of poverty. He defines poverty as:

1. A person who has no property or income at all.
2. A person whose wealth and income only partly satisfy his/her needs.
3. A person, whose wealth and income satisfy more than half of his/her needs, yet falls short of fulfilling those needs.

The third category clearly shows that the definition of poverty should be based on the concept of sufficiency rather than adequacy.

2.1.2.3 Social Exclusion Poverty (SEP)

According to Burchardt, Le Grand and Piachaud (1999), social exclusion can be defined as follows:

An individual is socially excluded if (a) he or she is geographically resident in a society but (b) for reasons beyond his or her control he or she cannot participate in the normal activities of citizens in that society and (c) he or she would like to so participate (p. 228).

The above definition shows that people are trapped in poverty when they cannot participate in activities like their fellow citizens owing to discrimination against them for reasons of ethnicity, race, religion, sexual orientation, caste, lineage, gender, age, disability, HIV status, migrant status or their place of residence (Department of International Development, n.d). It is the result of a policy or strategy formulated by an agency, which is predicted to continue with its current policies into the future (Atkinson, 1998). This kind of poverty occurs in public institutions, such as the legal system or education and health services, as well as social institutions like the household (Department of International Development, n.d; Alcock, 1993). In contrast with the monetary and capability approaches, social exclusion defines poverty by considering the external factors that lead people into poverty or cause them to remain in poverty.

The concept of social exclusion was introduced by Townsend in 1979, who points out that the monetary approach is more suited to describe the condition of

communities in the LDCs, where poverty is the result of a lack of physical facilities.

Then he produced a new definition of poverty (Townsend, 1979):

Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions which are customary, or at least widely encouraged or approved, in societies to which they belong. Their resources are so seriously below those commanded by the average family or individual that they are in effect excluded from ordinary living patterns, customs and activities (p. 31).

This definition highlighting the failure to participate in normal social activities should be applied to the poor in communities in LDCs.³

2.1.2.4 Participatory Poverty Approach (PPA)

The PPA defines poverty by taking into account the view of the poor, in contrast to the other three approaches, which are more oriented towards the point of view of external factors, the researcher or policymakers. In this approach, the poor people themselves define poverty because they are the experts (Narayan et al., 2000).⁴

According to the PPA, the definition of rural poverty is based on the following six phenomena:

1. Poverty is an interlocking multidimensional problem.
2. It is the lack of the requirements for material being, especially food, though also housing, land and other assets.
3. Psychological poverty means the lack of a voice, power and independence, a situation that subjects the poor to exploitation.

³ Townsend (1979, p. 31) listed 12 characteristics (deprivation index) to differentiate between the poor and non-poor: (1) One has not had a week's holiday away from home in the last 12 months; (2) one has not had a relative or a friend to the home for a meal or snack in the last 4 weeks (adults only); (3) one has not been out in the last 4 weeks to a relative or a friend for a meal or snack (adults only); (4) one has had not a friend to play or to tea in the last 4 weeks (children under 15 only); (5) one did not have a party on last birthday; (6) one has not had an afternoon or evening out for entertainment in the last 2 weeks; (7) one does not have fresh meat (including meals out) for at least 4 days per week; (8) one has had one or more days in the past fortnight without a cooked meal; (9) one has not had a cooked breakfast most days of the week; (10) the household does not have a refrigerator; (11) the household does not usually have a Sunday joint (3 times out of 4); (12) the household does not have sole use of 4 amenities indoors (flush WC, sink or washbasin and cold water tap, fixed bath or shower, and gas or electric cooker)

⁴ The PPA is interactive, participatory research that seeks to understand poverty from the perspective of a range of stakeholders and to include them directly in planning follow-up action. The most important stakeholders included in the research are poor men and women. The PPA also includes decision-makers from all levels of government, civil society, and the local élite, thereby revealing different interests and perspectives and increasing the local capacity of and commitment to follow-up action (Narayan et al., 2000).

4. It includes the absence of a basic infrastructure, particularly roads (in rural areas), transport and water.
5. Illness is often dreaded because it is known from experience that it plunges a family into destitution as a result of the lack of healthcare, the cost of available healthcare, and the loss of livelihood owing to illness.
6. Poor people focus on assets rather than income, and link their lack of physical, human, social and environmental assets to their vulnerability and exposure to risk.

In conclusion, there are two concepts of poverty: absolute and relative. Poverty based on the monetary and capability approaches is classified as absolute, where it has been defined by evaluated individual achievements. In contrast, the approaches based on social exclusion and participation also consider the external factors that cause people to be trapped in a poverty that is classified as relative.

2.1.3 Definition: rural poverty and poorest rural poor in LDCs

2.1.3.1 Definition of rural poverty in LDCs

The definition of rural poverty has been closely associated with the PPA. It can be classified on the following five aspects: (1) income poverty; (2) physical weakness; (3) isolation; (4) vulnerability; and (5) powerlessness (Chambers, 1983, pp. 109-115). Household poverty or material deprivation can be described as the situation of those who have a small, poorly built house of local raw materials without any sanitary facilities. The household has no land or livestock, or only a small number. If the family has any assets, the productivity level is very low, owing to the lack of equipment or machinery. Family members work when they can, except the very young, the very old and the disabled. This type of poverty can be found in many densely settled lowland areas, and they describe it as interstitial. The household is physically weak, having a high ratio of dependants to able-bodied adults. It often happens to a household headed by a woman, usually a widow. She has to look after the young children, elderly parents or relatives, or sick or disabled members of the family, commitments that prevent her from doing any other work. This phenomenon occurs mostly in North Africa and the Near East (Jazairy, Alamgir and Panuccio, 1992, p. 64).

The third factor is isolation, which means that the household is isolated from the outside world. The family lives in a remote area that lacks public transport as well as information links such as television and radio. Extension service workers rarely reach these areas, therefore, the family members have great difficulty in accessing new technology, marketable skills, training and education as well as health services. If they travel outside the area, it is only to seek work or to beg from relatives. These poor people can be found in marginal areas, mainly among smallholders and the landless in upland areas and on marginal agricultural land. This situation is known as peripheral poverty (Jazairy et al., 1992). A poor household is vulnerable and can be defined as having few buffers against contingencies. It can arise from natural factors (drought or flood, for example), changes in the market (collapse in commodity prices), demography (loss of financially productive members of the household), health (illness of financially productive members of the household), marital status (widowhood, divorced, for example), labour market (loss of employment), and war (Jazairy et al., 1992). To survive, the property has to be sold or mortgaged, which traps the family in poverty. The household is described as ignorant of the law, which renders its members easy targets for exploitation by moneylenders, merchants, landlords, vendors, etc.

Chambers (1983, p. 30) further describes how all these aspects are inter-related and calls this complex relationship a “poverty ratchet”. In his view, the strong determinant of the others is that when a household is poor, it contributes to physical weakness from lack of food, to isolation because of the inability to build a home or pay rent for a house, to vulnerability from the lack of assets to pay large expenses, and to powerlessness owing to the lack of wealth. Physical weakness causes human productivity to fall, and thus inability to attend training courses or meetings (isolation), it accentuates vulnerability by limiting the ability to solve problems with hard work, and contributes to powerlessness owing to the lack of time for organization and political activity. Isolation (lack of education, remoteness, being out of contact) prolongs poverty, for public services do not extend to remote areas and the inhabitants cannot read information and therefore find it difficult to obtain loans. Powerlessness contributes to poverty owing to exploitation by the powerful and renders the poor even more vulnerable by sudden demands for the repayment of

loans, or threats of prosecution, fines or imprisonment. Chambers concludes that rural populations have to free themselves from these vicious cycles and therefore deal with the existing problems that they are facing owing to poverty.

This description shows that rural poverty in LDCs is a multi-dimensional problem, where the understanding of the situation should examine not only income or social services, but also social, political and other factors. It means that the PPA can cover all three approaches in defining rural poverty, including SEP, which has been introduced in LDCs.

2.1.3.1.1 Poorest poor in rural areas

Generally, the rural poor can be divided into two groups: the poor and the poorest. There are many descriptions applied to the latter, such as the ultra poor, the hardcore poor, the destitute poor, the hated or bottom poor and the chronic poor (IFAD, 2001). The description varies according to the country, international body and research group. The term hated poor or bottom poor has been used in Bangladesh (Narayan, 2002), hardcore poor in Malaysia (Malaysia Economic Planning Unit of Prime Minister Department 2005; Pramanik, Abdullah, Derus and Barom, 2009), extreme poor by the United Nations (Korenman et al., 1994), and chronic poor by the Chronic Poverty Research Centre [CPRC], 2005). Despite the differences in terminology, the principle remains the same: the poorest are worse off than the poor.

The rural poor and poorest can also be defined from at least two perspectives. These two perspectives can be distinguished according to their ability or inability to work. The rural poor are those who can work and also have a little capital. Nevertheless, they have limited access to political power and hardly any bargaining power with merchants, landlords, moneylenders or the state. On the other hand, the poorest people have absolutely nothing and struggle throughout their lives simply to survive (Dixon, 1990).

Another means of defining poverty is the dynamic approach, which evaluates the changes, if any, the people's poverty status over five consecutive years. There are five categories of poverty under three main headings. The extremely poor or chronically poor (the term used by the CPRC, 2005, pp. 5-6) are those who fall in the categories of always poor and usually poor. The always poor are those whose income is below the defined poverty line throughout the five consecutive years, whereas the

usually poor are those whose income is below the poverty line for the five years as a whole, though not for each individual year. The poor are those who experience poverty in some years but not in others, and their income hovers around the poverty line. These people are also known as the fluctuating poor. Another category is the occasional poor, who have experienced at least one year of poverty, although their income is generally above the poverty line. Lastly, the non-poor are those whose income is above the poverty line for each year. As explained in section 2.1.2.1 using the poverty line to differentiate between the poor and non-poor does not represent the real condition of the people concerned. The CPRC has also realized the shortcomings of this approach and re-evaluated the category of chronic poverty into a more realistic concept. Chronic poverty can be divided into two sub-groups (CPRC, 2005):

1. Those who are not economically active because of ill health, age, physical or material disability.
2. Those who are economically active, yet are unable to escape poverty because of the terms of their employment, their lack of assets, or social barriers that cause them to suffer discrimination

Based on two approaches, the “extreme poor” can be divided into the following types:

1. Those who have no income or assets owing to physical constraints.
2. Those who have no opportunity to work owing to the lack of employment, or social, economic or political constraints.

Most of the extremely poor can be found in remote rural areas where resources are limited. One example is an area with an extreme ecology, where there is very little infrastructure and communication with the outside world. Other examples are low-potential areas (semi-arid, shallow topsoil) and poverty pockets, whose inhabitants suffer social/political exclusion on the basis of language, religion, tribe, etc.) (Bird, Hulme, Moore and Shephard., 2002, pp. 14-15).

2.2 Problems in alleviating poverty in LDCs

In section 2.1, rural poverty has been defined from various perspectives that could describe the real problem faced by the rural poor. Furthermore, the rural poor can be divided into two strata – the poor and poorest – so as to highlight problems faced by

each group. The object of this analysis is to provide the most appropriate programme for the alleviation of poverty, particularly for the poorer.

However, despite all these efforts, there has not been a successful solution to the problems of poverty. According to the IFAD (2001), about 60 per cent of the 1.2 billion people who are in extreme consumption poverty will be in the same position in 2005 (p, 15). The main reason why LDCs have failed to alleviate poorest poverty is because their programmes and funding strategies are directly influenced or constrained by capitalist ideology (Dixon, 1990, p. 58; Lea and Chaudhri, 1983). This occurs in the following situations.

2.2.1 “Eurocentric” economic growth

The LDC governments have relied on economic growth as a means to alleviate poverty (Rist, 1997; Dixon, 1990). This approach was highlighted by Rostow (as cited in Rist, 1997, p. 97), who stated that development would be achieved only when the Gross National Product (GNP) of the LDCs reached 5–10 per cent. By that stage, the benefits of the GNP would trickle down to the poor. Therefore, the programmes of the first rural development phase from 1950 to 1959 were aimed at maximizing agricultural production. This policy was implemented according to the theory of modernization, which emphasized that poverty could be reduced only by deploying modern technology, supplying a good infrastructure and modernizing the traditional way of life (Webster, 1990)⁵. Western donors such as Rockefeller, the Ford Foundation and the World Bank have played an active role in the technology-based, rural economic programmes. The Community Development Programme (CDP), the Green Revolution (GR) and Integrated Rural Development (IRD) are among the major programmes implemented.

⁵ Webster (1990, pp. 49-50) explains the features of traditional and modern society as follows: “(1) The value of traditionalism itself is dominant; that is, people are oriented to the past and they lack the cultural ability to adjust to new circumstances. In contrast, modern society may still have traditions but they are not slaves to them and will challenge any that seem unnecessary or get in the way of continued cultural progress. (2) The kinship system is the decisive reference point for all social practices, being the primary means through which economic, political and legal relationships are controlled. In contrast, in modern society kinship has a very much less important role in all areas of society (even within the family) because of the need for geographical and social mobility which weakens family ties. (3) Members of the traditional society have an emotional, superstitious and fatalistic approach to the world: ‘what will be will be’; ‘things have always been this way’. In contrast, members of the modern society are not fatalistic but forward-looking and innovative, ready to overcome the obstacles they find in their way.”

The CDPs have been among the first rural development programmes conducted in the LDCs. The CDP is an *in-situ* type of development, where the government is included in providing a physical infrastructure as well as inculcating motivational and educational programmes in rural areas (Bhattacharyya, 1970).

These CPD have been supported by public donors – the Ford Foundation and Rockefeller. The programme was introduced in India, followed by other Asian countries, including the Philippines, Indonesia, Iran and Pakistan. In India, the programme appeared to be successful in the early stages (Bhattacharyya, 1970). However, after ten years of operation, its main sponsor, the Ford Foundation, proposed that it be re-evaluated. This was owing to the programme being unable to maximize agricultural production, which led India into a food crisis from 1956 to 1957. From the mid-1960s, the programme was no longer introduced into LDCs because of a “sharp reduction in support from donor agencies, and disillusionment on the part of many LDCs political leaders after its poor performance *vis-à-vis* their early optimism” (Myrdal, 1968, p. 1342).

This phenomenon clearly shows that the approaches for alleviating poverty implemented by LDCs government is strongly based on an economic growth strategy rooted in capitalist ideology. The main donors and LDC governments discontinued the programme because of its inability to maximize agricultural production to support economic growth. More importantly, their aim of maximizing agricultural output benefited only the wealthier farmers, not the poor (Riddell and Robinson, 1995). Indeed, most of the infrastructure, such as roads and irrigation systems, purposely provided for the rural community, were beneficial only to those who already had a substantial amount of capital (Abdullah, 1986).

The disadvantages of the rural development programmes *vis-à-vis* the poorest continued during the period of the Green Revolution. This was a strategy introduced by public donors to replace the CDP, which had also failed to maximize agricultural production. The aim of the Green Revolution was to increase output by using a technology package, including high-yielding varieties (HYV) of seed, fertilizer and water control (Dixon, 1990). The research to develop new higher-yielding fertilizer-responsive varieties (HYV) or modern varieties (MVs) was initiated by the Centre for Maize and Wheat Improvement (CIMMYT) in Mexico. It was later introduced

into Asia, where the International Rice Research Institute (IRRI) in the Philippines was conducting research into rice and wheat. To make this programme efficient, it was supported by numerous extension agencies, including farmers' organizations, agricultural banks, marketing boards and so on. India was the first Asian country to implement the programme, and it produced enough wheat and rice for food production between 1961 and 1980. Other countries, such as Pakistan, no longer depended on imported wheat from the United States, while Sri Lanka, the Philippines, and a number of African and South American countries achieved record harvests (Glaeser, 1987). However, the advantages of the programme were felt only by the large-scale farmers, who could provide good irrigation systems, rich soil, fertilizer, machinery and pest control – in other words, their farming practices were machine-operated (Dixon, 1990). The poor, particularly the poorest, could not meet these requirements. Indeed, the introduction of machinery meant that many of the poor lost their employment owing to a drop in demand for manual labour. Some of them migrated to the cities, where the consequent overcrowding created urban slums and violence, as happened in Java, the Punjab and Nigeria (Dixon, 1990). Migration also threatened the existence of the rural extended family as a system of social security and care for the elderly (Glaeser, 1987).

In the 1970s, owing to the ineffectiveness of the economic growth strategy to distribute its benefits to the rural poor, the World Bank re-evaluated the rural programme and redefined the objectives of rural development. According to the World Bank (Lea and Chaudhri, 1983), rural development is:

A strategy designed to improve the economic and social life of a specific group of people – the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in the rural areas. The group includes small-scale farmers, tenants and the landless (p. 12).

This approach was taken by the World Bank in a programme known as Integrated Rural Development (IRD). IRD is a target group or poverty-focused” programme, in which the rural poor are defined and identified. The poor are provided with basic needs such as food, clothing, holdings, as well as essential services such as safe drinking water, public transport, health and educational facilities. All these facilities should help the poor to develop or increase their agricultural productivity by means that are appropriate to them (Lea et al., 1983). This strategy has come to be known as growth with justice or redistribution with growth (Dixon, 1990, p. 58;

Chenery & Ahluwalia, 1974, pp. 38-50). A positive effect of the programme was that local leaders accepted it and were enthusiastic about its implementation. In social development, it also produced a marked improvement in the health and education of the rural poor (Lea et al., 1983).

Nevertheless, the programme did not fully succeed in alleviating the condition of the poorest for two reasons. First, it was still oriented towards the concept of the economic growth strategy, in which all the facilities provided would increase the productivity of the participants. Relative to this, the poor identified were small-scale farmers, because they had the capability or capital to use the facilities provided by the government and meet the required objectives. Second, the methodology of the programme was the same as that of its predecessors, in which the poor were defined in terms of spatial development. The programme was based on area development rather than a direct focus on the poor themselves (Abdullah, 1986, pp. 54-55).

Studies also show that development relying on the economic growth strategy cannot provide basic safety-net measures to help the poor, and requires large amounts of money to spend on the vulnerable people. This has happened in Ghana, Zimbabwe and Mexico, owing to the introduction of neo-liberal economics, whereby the major approach is drastic cuts in the public services, subsidies of all kinds, health and education (Weaver, 1995). Studies have found that there are high percentages of rural poor who are unable to complete their primary school education. In Ghana, 40 per cent of pupils drop out of the primary school. In Mexico, for every 100 children entering primary school, only 64 finish this stage of education. In Zimbabwe, by the end of the 1990s, only 70 per cent of pupils who complete their primary education continue to secondary school (Structural Adjustment Participatory Review International Network [SAPRIN], 2004). Access to health facilities has also been affected. There has been an increase in the number of people reducing their length of stay in hospital, as well as those who cannot complete the full course of their treatment. People seek medical attention only when their illness is far advanced. Studies by SAPRIN (2004) in Uganda, Zimbabwe and Ghana have found that, owing to the high cost of treatment, most patients engage in self-medication and some of them die before seeking appropriate medical treatment. For example, in Zimbabwe,

the fees for medical treatment have increased dramatically, in some cases exceeding 1,000 per cent (pp. 187-190). This shows that the government's failure to provide free public services for the poor increases their vulnerability.

Another programme requiring large amounts of money is food subsidies. This is a means of helping the poor by improving the standard of their nutrition. LDC governments focus on essential foods such as rice and wheat in South Asia, or millet and maize in South Africa. For example, in Bangladesh, since the 1970s, the government has provided a ration of 31 kg of wheat per month to distressed women in rural areas, who have no land or income and who do not receive support from their husbands because of divorce, death, disability and so on. However, this programme has also been threatened by the global economic system, which means that its budget has had to be reduced during recessions. In countries such as Zambia and Egypt, where policies have been implemented to reduce public expenditure on foodstuffs, the standard of health and nutrition among the poor has fallen (Riddell & Robinson, 1995).

Clearly, the rural development programmes described above, which, it had been hoped, would benefit the extremely poor, have not been successful. The benefits go to only the large-scale farmers, not to the smallholders and landless rural people (Cernea, 1991; Bryant, 1983). Some development programmes have even increased the powerlessness and vulnerability of the poorest poor (Khan & Khan, 1992; Potter et al., 1999). This shows that the development approach introduced by Eurocentric thinking, which places greater emphasis on economic development, has been unable to help the poorest effectively. Development for the civilians of LDCs should also include social and political aspects. Mountjoy (1978) says:

In the west there is a tendency to think of development in economic terms; the path towards the maximisation of goods and services per head. It does not follow that these values will be accepted by all the Third World Countries, especially those with long cultural traditions of their own. Development implies more than economic growth; it means fundamental changes in society, in ways of life, in political and institutional patterns and grasping of new concepts and a new set of values (p. 21).

It should be noted that although the economic growth strategy has failed to benefit the poorest poor, LDCs continue to implement it as a means of alleviating poverty (World Bank, 2005). LDCs are dependent on funding from the World Bank and the International Monetary Fund (IMF) for development programmes, and thus

indirectly have to follow the world economic system led by both agencies. This situation has been clearly apparent in their new poverty alleviation strategy known as the Poverty Reduction Strategy Papers (PRSP), which was introduced in 1999. Even though this scheme offers opportunities to national governments to plan their own strategies, both agencies – as well as the principal donor countries – selectively focus their aid and debt relief on those countries that have good poverty alleviation strategies (Booth, 2003). In other words, to obtain funding, the development programme of LDCs must be fully economically oriented. Both agencies will withdraw the loans if a country fails to satisfy their key requirements, as occurred in Kenya (Gerrishon, Eberlei and Abong, 2003). According to Rahmena and Bawtree (1997): “Development was indeed a poisonous gift to populations it set out to help” (p. 381).

2.2.2 Endogenous ecological economic growth

This is an approach used by NGOs to alleviate poverty, which is also oriented towards economic development programmes, yet less in the form of direct assistance capital. Although this approach benefits a sub-group of the poor, yet it does not really help the poorest poor.

The inclusion of NGOs as development agents was introduced by a school of thought known as “Another Development, initiated in the early 1970s owing to the shortcomings of the modernization theory of alleviating poverty (Burkey, 1993, p. 31; Hettne, 1990, p. 177). Another development promoted the concept that development must be:

1. need oriented: geared to meeting both material and non-material human needs;
2. endogenous: stemming from the heart of society;
3. self-reliant: implying that each society relies primarily on its own strength and resources;
4. ecologically sound: rationally utilizing the resources of the biosphere and based on the structural transformation as an integrated whole

This contrasts with the previous strategies based on Eurocentric economic growth, which were rural development programmes formulated in Western countries

and transferred to LDCs. Since many of these programmes have failed to help the rural poor, the NGOs have played their roles using a “grassroots” approach, as explained below.

NGOs tend to focus on women’s economic activity programmes. Women are encouraged to participate in development programmes because, among the main factors leading to rural poverty, is the absence of women in this area. This fact became apparent during the Green Revolution, when machines replaced manual labour and women’s skills and knowledge were not considered (Potter, et al., 1999, p. 107). According to Burkey (1993), “rural development programmes that do not place an emphasis on women’s participation have not comprehended rural realities” (p. 66). Micro-credit is a programme conducted by NGOs to improve the economic status of the rural poor. The NGOs believe although the poor already have the skills, they lack the capital to utilize them to generate income for their families. At the same time, they do not have access to the existing banks, whose services are designed for the rich. To reduce the risk of bad debts, the NGOs have proposed a model for credit delivery that emphasizes awareness-building, consciousness-raising and leadership development to all the participants. The participants must work in groups, and attend training courses and meetings. Each participant is responsible for the loan provided to the members of the group and the lender must be the poor (Holcombe, 1995). In Bangladesh, one of micro credit programme offered by NGOs is the Grameen Bank. Grameen Bank like other bank is basically a financial institution. However, unlike other banks, Grameen Bank only operates in rural areas and it extends loans called micro credits to the economically marginal groups, which are the poor who have no access to institutional credit. This programme was introduced in Bangladesh. The model of credit delivery is as follows: (1) People form themselves into gender-segregated groups of five, members of each group having a similar economic background. (2) Membership is restricted to those with assets worth less than half an acre of land. (3) Activities begin with a weekly saving of 1 taka per person, a contribution that remains compulsory throughout membership. (4) Loans are made to two members at a time and must be repaid in equal instalments over 50 weeks. (5) Each time a loan is made, the borrower must pay 5 per cent of that sum into a group fund. (6) The group is ultimately responsible for repayment if the borrower defaults.

(7) Between 5 and 8 groups form a development centre led by a chairperson and secretary, and are assisted by a Grameen Bank staff member. (8) Attendance at weekly group and centre meetings is compulsory. (9) All transactions are openly conducted at centre meetings. (10) Each member may purchase a share worth 100 taka in the Bank (Johnson and Rogely, 1997, p. 39; *What is Microcredit*, 2009).

Among positive impacts of micro credit schemes such as the Grameen Bank programme are the increase of income among participants which came to 28 % higher than non-participants. The ownership of cattle also increased. Before the implementation of the programme, the proportion of borrowers who did not own cattle was 63 % (Holcombe, 1995). After its implementation, however, this proportion fell to 44.5 %. Another positive impact is the improvement of the rural wage structure due to the reduction in rural labour sources. In Bangladesh, evidence suggests that there was a wage increase of 30-60% in areas with high NGO activity (Mohit, 2004). In addition, the introduction of the Grameen Bank programme has resulted in the empowerment of women. This was underlined by Mohit (2004) through the evidence of increased house ownership among women in Bangladesh. Some negative impacts have also been discovered in the implementation of micro credit programmes, which could affect their efficacy in alleviating poverty. According to Hassan (2010), these problems include inaccurate information on the use of funds, high operational costs associated with monitoring a large group of borrowers, the difficulties in determining interest rates based on the economic base of different countries and focus on short term profit with higher interest rates to cover the costs of administration. In addition, low return of investments occurs as the supply of services in the area increases, while the demand remains stagnant. Next, there is a high level of failure among participants to upgrade from poverty. These failures will consequently lead to debt traps, in which the poor cannot afford to make repayments and remain in debt. Non-conformation of conservative Muslim communities is also an issue as *riba*' (usury) is prohibited in Islam. Lastly, the problems previously outlined will ultimately lead to credit rationing among credit suppliers, in which only projects with a higher probability of success will be selected.

However, even though NGOs have helped to reduce the problem of rural poverty, particularly by empowering women in development, they have not yet

reached the rural poor and poorest who are economically unproductive. The NGO programmes focus on only the physically fit participants, while the physically disabled are screened out.⁶ The poorest feel that they cannot compete for loans with the more able-bodied, or, if they are offered a loan, they do not have enough resources to generate the income to repay it (Hasyemi, 1997). Indeed, some borrowers have become worse off, suffering bankruptcy, forced seizure of assets and the unofficial pledging of assets to other members of a borrowing group (Johnson et al., 1997). The failure of NGOs to assist the poorest has also been reported by Hulme & Moseley (1997) in their detailed study of thirteen micro-credit programmes in seven countries. According to their report, although the micro-credit has proved effective in reducing poverty, it has done little to assist the poorest, because the programme is entrepreneur-oriented rather than providing diverse credit and savings services.

These situations arise because the NGO activities are funded by capitalist institutions, that is, either the government or foreign donors. Capitalist thinking emphasizes economic programme activity as the best method of alleviating poverty. The NGOs function only as vehicles for promoting the ideology of capitalist institutions in rural development programmes. As Woost (1997) pointed out: “[We] are still riding in a top-down vehicle of development whose wheels are greased with a vocabulary of bottom-up discourse” (p. 233).

The Grameen Bank programme is basically suitable to be implemented in Kedah. This is due to the community’s lifestyle as they only work in the morning and the programme offered can fill up their free time in the evening and generate more income. Thus, *Amanah Ikhtiar Malaysia* (AIM), a non-governmental organization, provided micro-credit financing to about 69,000 poor families with interest-free loans of M\$300 million provided by the Malaysian government since 1987. This

⁶ One of the components of the programme is the Bangladesh Rural Advancement Committee – Income Generation for Vulnerable Group Development (BRAC IGVD), which provides food and development services to the poorest women in rural Bangladesh. The participants are women from landless households owning less than 50 decimals (0.2 hectares) of land, women having no household income or a household income of less than 300 taka per month. In addition, preference is given to female-headed households (women who are widowed, divorced, separated or who have been deserted or who have disabled husbands). The participants receive a monthly ration of wheat or rice for two years, and, most importantly, they are given training in income-generating activities. They are provided with credit to establish these activities. The programme has been successful in increasing women’s individual income and ownership of assets as well as food consumption. However, these participants are physically fit, for the physically disabled have been screened out.

programmes modeled on the Bangladesh Grameen Bank loan scheme, this credit scheme targeted the poor who did not qualify for conventional types of loans because of their inability to provide collaterals where majority of the beneficiaries of the AIM programmes have been women.

2.3 Rural development strategies and poverty alleviation in Peninsular Malaysia

2.3.1 Rural and the poorest

In general, scholars use different parameters for defining rural characteristics. Although most scholars define the concept of rural relative to population characteristics and agricultural activities, the precise definition of the term rural is still a matter of debate.

During the pre-colonial period, settlement hierarchy was divided into three levels: State, District, and Village. The word *negeri* means state in Malay. The state was divided into territories typically bounded by rivers. These territories were known as districts, which is translated as *daerah* or *jajahan* in Malay. These districts consisted of villages populated by peasants. These villages ranged in size from 4 or 5 families up to 100 families. The size of the village was determined by the amount of available land on which to plant paddies to support the community. New village or hamlets would then be built next to an existing village when that village reached the limit of arable land. The economies of these villages were dependent upon rice, fish, vegetable, fruits, and wild animals (Gullick, 1985, p. 27; Teh, 1995, p. 55).

The concept of rural during the period of British administration was defined relative to population and economic activities. Rural was defined as an area with fewer than 1,000 residents with either advanced or primitive economies. Advanced economic sectors were comprised of estate-type agriculture, mining, and commercial enterprises that were controlled by the Chinese and the British. By the third quarter of the twentieth century, the Chinese started to monopolize the tin-mining industry and the British and other Europeans began to dominate estate type-agriculture. In contrast, Malay peasants still engaged in a primitive economic system in their traditional villages. In 1956, the government began establishing new settlements within rural areas for estate type-agriculture, which was previously dominated by outsiders. Among the lead agencies actively involved was the Federal Land

Development Authority (FELDA), which was later followed by other agencies, such as the Federal Land Rehabilitation and Consolidation Authority (FELCRA).⁷

Today, the definition of rural is strongly associated with agricultural activities and population numbers. In the 1960s, rural communities in Malaysia as those with fewer than 5,000 residents. The primary economy in these rural communities was based on traditional agricultural activities, such as paddy farming and fishing (Ooi, 1963, p. 136). The Malaysia Department of Town and Country Planning [JPBD] (2000) and M.H. Kassim (2000, p. 2), define rural as an area with less than 10,000 residents with the majority of land devoted to agriculture or forest, and with few cottage industries or job opportunities. Basically, the population density is used by physical planners in local governments as a guideline to provide public amenities, such clinics, primary schools, and community centres. In this case, it is more appropriate to use agricultural activities as the main rural indicator and population only as a supporting indicator.

2.3.1.1 The poorest

The term hard-core poor have been used by Malaysian Government to describe the poorest poor segments of society. This term was only recently introduced; however this does not mean that the poorest segments of society did not previously exist among Malay communities. During the pre-colonial period, Malay society was divided into two classes, the ruling class and the subject class, or peasantry. The ruling class could be further divided into royal and non-royal aristocracy. Like the ruling class, the subject class also was divided. The three groups of the subject class were the free peasantry, debtor slaves, and ordinary slaves. Debtor and ordinary slaves generally faced more desperate situations in comparison to the members of the free peasantry. Unlike members of the free peasantry, debtor and ordinary slaves were exploited by the master, or *headman* (village leader). Debtor slaves were required to surrender a large portion of their production to the master and ordinary slaves were forced to surrender everything they produced (Teh, 1995, pp. 58-59).

There is currently a lack of consensus about the use of the term hard-core used by the government to describe the poorest. Aziz (1988) disagrees with the use

⁷ Detail discussion on FELDA and FELCRA, see section 2.4.1

of this term because it seems to imply that the poorest are to blame for their situation. In reality, their poverty is not only due to their own shortcomings, but also to other factors beyond their control. For the purpose of this research, the term ‘poorest’ will be used based on the analysis presented in section 2.2.2.

Currently, the non-poor, poor, and the poorest are differentiated according to Malaysia’s poverty line income (PLI), which was introduced in 1977. As defined by the Department of Social Welfare, PLI is the “income required to maintain a family in good nutritional health as well as to satisfy minimum conventional needs in respect of clothing, household management, transport and communication” (Department of Social Welfare, 1974, p.106). Prior to 2004, poor households (family of five) were defined as those with a combined monthly income less than M\$529.00 (£108.02).⁸ The poorest households were defined as those with a monthly income that is less than half of the PLI. This means that the poorest households had incomes of less than M\$264.5 (£54.01) per month, or M\$57.50 (£11.74) per person (Malaysia Economic Planning Unit, 2006). This PLI was applied to both urban and rural families because there are minimal differences in the cost of living between communities (Anand, 1983, pp. 115-116). Prior to the introduction of PLI, Aziz (1964, p. 75) introduced the *sarong* index⁹ that can be used to measure the extent of poverty among Malays in any village. According to this index, those who have less than one sarong are considered to be the poorest. In contrast, the rural rich, like landlords and boat lords, generally have 7-15 *sarongs* per person.

In 2005, the government of Malaysia proposed different PLI measurements for urban and rural communities because the cost of living in rural areas is considered to be higher than in urban areas. The PLIs for rural and urban communities were estimated to be M\$691.00 (£141.10) and M\$687.00 (£140.28), respectively. In contrast with previous PLI estimates, the new poverty line for the poorest was estimated based on minimum cost of a food basket that could provide enough nutrition to sustain good health. According to this approach, the minimum cost of good food required for a family of five living in either an urban or rural

⁸ Malaysia currency consists of Malaysia Ringgit (M\$) and Malaysian *Sen*. One Malaysia Ringgit = 100 *sen*. At the time of the research, one Malaysia ringgit was value approximately GB£ 0.21 or GB £1 equivalent to M\$ 4.90.

⁹ It based on the long cloths that are traditionally worn by Malaysian men and women.

environment is M\$415.00 per month (£84.74), which is higher than half of the PLI (Malaysia Economic Planning Unit, 2006).

In terms of the usefulness of PLI, Gomez and Sundaram (1999, p. 98) highlighted the fact that the PLI was used by the government for political purposes in order to show progress in alleviating poverty. Shaari (1994) also highlighted that although the PLI can be used for statistical purposes, the success of poverty alleviation programmes should be based on a comprehensive understanding of the condition of poor people. Thus, over reliance on PLI is not the best way to understand the phenomenon of poverty.

A study by Pramanik (1998, p. 4-11) on poverty described the concept of poorest not only through economic factors (PLI approach), but also through concepts such as demography, sociology, psychology, political institutions, morality, and religion. The poorest can be summarized as those not only with income less than half of the PLI. The poorest also have a propensity to have big families (more than 7), to have a young female-headed household (below 46 years), and to have physical disabilities. In regards to their social condition, their shelter is usually built on somebody else land, a government site, or was inherited from their parents. Their shelters are rarely in good condition because they are often built from wood and leaves. From an economic perspective, the poorest either own less than 0.11 hectares of land, or operated somebody land less than 0.17 hectares.

2.3.2 Root of Rural Poverty

2.3.2.1 Peasant prior to British Administration

The problem of poverty among the Malay community began prior to the British administration (1824-1957). In thirteenth century, Malacca was a stopping point for Chinese and Arab traders. However, the commerce did not create opportunities for local residents, but only opportunities for members of the ruling class to accumulate items of value, such as transporting elephants (Winstedt, 1950).

In Kedah, the Sultan exploited the peasants through the *Corvee Labour* system. In this system, peasants who worked in paddies were required to provide services for the Sultan. This is because the land is considered to be the Sultan's property and *Corvee Labour* is considered to be a part of the rental fees. They were

also forced to surrender half of their paddy production to the Sultan (Omar, 1986, p. 34). By the end of the eighteenth century, a land owning system was offered to farmers. However, peasants were still trapped under a debt-bondsman system because they were unable to repay the lender. Under this system, the peasants had to provide services to the lender for a certain period (Omar, 1986, p. 62).

In State of Perak, Selangor and Negeri Sembilan the *penghulu* (headman) encouraged peasants to come to their area by offering them loans for a few years. If they were unable to repay the loan they were treated as a debt-bondsman. Even if the peasant was able repay the loan, their agricultural activities were still controlled by the headman. The peasants' earnings were just enough to purchase rice, salt, textiles, and other necessities. This system prevented peasants from using their money to finance rebellion. The *penghulu* also accumulates wealth through a system of taxes levied on goods imported to his area. Taxes of up to 10% were levied on salt, dried fish, oil, and coconuts (Gullick, 1985).

2.3.2.2 Peasants under British administration (1824-1957)

During the period of British administration, there were at least three prevailing reasons that rural peasants continued to live in poverty: 1) problems of rural credit; 2) exclusion from involvement in cash-crops agriculture; and 3) poor rural infrastructure development.

2.3.2.2.1 Rural credit system

The root problem with rural credit started with the introduction of a land owning system by the British in 1890. This system was introduced to distribute the power of the *penghulu* among the Malay community and to encourage rice production for local stocks. Under the new system, peasants were required to pay survey fees, premiums, and rent in order to claim ownership. This required them to market some of their produce in exchange for cash that could be used for payment of land grants. However, peasants faced difficulties working their land due to a lack of capital. At the same time, the British administration offered few loan opportunities to peasants (Lim, 1977, pp. 156-157).¹⁰ This ultimately caused peasants to seek loans from

¹⁰ The British had provided loan credit through co-operation mechanism in 1912. It works by members paid a regular cash contribution which was put into a bank to accumulate interest. Loans

informal institutions, such as those offered by Indian *chettiar* and Chinese shopkeepers (Sundaram, 1986, p.43; Swift, 1965, p. 133). In paddy (paddy) area, Chinese shopkeepers offer debt facilities to peasant either borrowing daily necessities or credit facilities. Peasants promised to pay the debt by selling their paddy products to the Chinese shopkeepers. However, the peasants would receive less than the market price from the shopkeeper. This paddy *ratus* system caused rural peasants to remain trapped in poverty (Lim, 1977, pp. 156-157; Sundaram, 1986, p. 49). The exploitation of rural peasants through informal rural credit not only happened within the paddy sector, but also in others rural economic activities (Aziz, 1964, p. 93).

The above phenomena demonstrate that the informal credit system contributed to the Chinese shopkeepers and rice millers monopolizing the rural business economic activity. They also became the sole-buyers of peasant production. This sole-buyer situation is called monopsony. This shopkeeper practice known by Aziz (1964, p. 84) as Monopoly-Monopsony System (M-M system) and it was protected by colonial government because it part of *laissez-faire* philosophy.

2.3.2.2.2 Exclusion from cash-crops agriculture

The colonial administration also discouraged peasants involved in the rubber sector, which was more profitable than the paddy sector. The average price for rubber between 1890 and 1900 ranged from Malayan M\$1.30 (£0.27) and M\$1.70 (£0.35) per lb. The price increased to M\$2.50 (£0.51) per lb in 1906 and continued to increase to M\$5.50 (£1.12) per lb in 1910. This was the beginning of Malay's active involvement in the rubber sector (Bee, 1963). Furthermore, the cost of maintenance and operation for rubber is cheaper than for paddy (Sundaram, 1986, p. 64). During 1911 – 1916, the paddy production decreased significantly and an additional 190,000 tonnes of rice had to be imported annually. This is equivalent to 82 % of the annual rice consumption (Lim, 1977, p. 120). The colonial administration believed that Malay peasants involved in the rubber sector would threaten paddy production. In

were available from this capital at low interest rates. The interest from the bank as well as from the loan would meet running costs of the society and earn a profit for the members and, in this way, the peasants would see their investment grow and obtain the benefits of access to cheap loan. However, it is considering late offered to peasants and the operation not fulfils the peasant needs. The service failed to attract peasant because it involved interest transaction. Another factor is peasant earnings are small which not enough for savings purposes. British also not serious in run the programme.

order to minimize their involvement, a number of acts were introduced to prevent land use changes from rice to rubber. Among the important acts were the Malay Reservation Act 1913, the Rice Lands Enactment, the Coconut Palms Preservation Enactment 1917, and strengthening the Forest Reserve Acts 1909 (Lim, 1977, pp. 95).

The discrimination also happened to the existing rubber smallholder.¹¹ They were excluded from receiving benefit from the increasing price of rubber. This was done through programmes such as the Stevenson Restriction Scheme (1922 – 1928) and the International Rubber Regulation Scheme (1934) (Lim, 1977, pp. 144-151). Besides the aforementioned obstructions, the colonial government also introduced initiatives to encourage peasants to stay in the paddy sector. Among these were the introduction of deposit facilities to paddy farmers, bonuses for *penghulu* if they were able to influence peasants change from rubber to paddy if they opened new paddy areas, and facilitating the land use application for paddy purposes (Lim, 1977, p. 86). However, Malay peasants were not interested in the paddy sector due to the problems mentioned above. The main effect of this neglect was the ‘fossilisation of rural Malay people’ (Aziz, 1964, 81; Fisk, 1963, 163).

2.3.2.2.3 Rural infrastructure development

After World War II (WWII), the colonial government attempted to foster friendlier relationships with the community (Sundaram, 1986, p. 75). Basically, the idea of British development in this period was influenced by the concept of community development. The CDP is an *in-situ* development approach, where the government is involved in providing physical infrastructure as well as inculcating motivational and educational programmes in rural areas. This was done by establishing the Rural Industrial and Development Authority (RIDA) in 1950. RIDA was established to overcome two roots of rural poverty: low productivity and the dysfunctional Malay value system which was characterized by *tidak apa* (‘it doesn’t matter’) in using modern equipment. There are three strategies to overcome this problem: 1) providing public amenities and building up the rural infrastructure; 2) implementing community development programmes; 3) changing the structure of the rural

¹¹ Any rubber holding less than 40.4 hectares is defined as a smallholding

economy by extension of credit, technical assistance, rural education and extension work. This programme was able to provide better social amenities and infrastructure as well as to reduce exploitation of middlemen. RIDA was also able to provide small loans (under M\$3,000 (£612.24) and under M\$1,000 (£204.08)) to farmers in the early stages of their operations. However, as mentioned earlier, the objective of the RIDA is economically oriented. The British administration disliked the small loan approach and requested that larger loans of at least M\$10,000 (£2040.81) should be given. This approach provided greater benefits to big producers rather than to small farmers (Ness, 1967, pp. 191-192).

During this period, the infrastructure development by the colonial government, particularly the development of *kampung baru* (new village) settlements, were designed to further the British interests. Each *Kampung baru* was set up to reduce supplies from Chinese rural residents to communist-led insurgents.¹² For this purpose, approximately 80% of national expenditure on economic sector during Five First Year Plan (1956-1960) spent for that development (Sundaram et al., 1983, p. 25).

The above discussion reveals that the problem of rural poverty preceded the British administration and was exacerbated by the policies and strategies implemented for rural Malay peasants. These policies and strategies are the main causes for the continued poverty of the peasant.

2.4 Problems of rural poverty alleviation programme during the period 1957 - 1990

2.4.1 Period 1957 -1970

During the period from 1958 to 1970, the success of poverty alleviation efforts were measured in terms of Gross National Product (GNP). During the 1960s, Malaysia achieved a remarkable 6-7 % increase in GNP, which was among the highest of all LDCs. Despite the impressive growth in GNP, a study found that around 43 % of households still lived in poverty, which was even worse than in 1955 (Peacock, 1979). The benefits associated with increased GNP were not evenly distributed and

¹² At least 480 'new villages' were provided. Approximately 10 % of the country population affected. 70 towns with populations exceeding 2,000 were created – 80 % were in western Malaya, and nearly of them in Perak and Johor.

benefited only sectors that were able to generate national income. But most peasants, particularly those involved in traditional economic sectors benefited far less (Fisk, 1963, p. 165).

The main programme designed to increase rural income during this period was the integration of the rural poor in cash crop agricultural activities, particularly rubber, through land development schemes conducted by FELDA (Talib, 1991, pp. 94; Lim, 1973, pp. 185-186). This strategy attempted to improve land ownership among the rural population. Under this programme, FELDA opened up approximately 1618 - 2023 hectares of available land to accommodate 400 households. This area was furnished with basic public amenities and infrastructure. Every participant received 3.24 hectares of land for rubber production or 4.05 hectares of land for palm oil production. This plan contributed around M\$400 (£81.63) per month to each participant. Peasants also received an extra 0.8 hectares of land on which to generate side income (Ness, 1967, pp. 137-138). Besides FELDA, two other agencies involved in land development during this period were FELCRA and the Rubber Industry Smallholders Development Authority (RISDA) (Ismail & Fuad, 1991, pp. 147-167). Generally, programmes enacted by these agencies demonstrated the resolve of the government to alleviate poverty. However, the benefit only goes to selected participants but not for peasant in traditional village who still struggling with M-M system problems.

Basically, there were two programmes designed to benefit peasants in traditional villages: the Federal Agricultural Marketing Authority (FAMA) and the Rural Economic Development programme or RED book. The RED book programme concentrated on infrastructural development while FAMA concentrated on marketing rural products (Ness, 1967, p. 146; Lim, 1973, p. 183).¹³ However, both programmes were more concerned with production from the peasants rather than with the welfare of the peasants (Ismail & Samah, 1991). For example, the expansion of irrigation and

¹³ The function of RED book programme to collect and provide information regarding physical facilities needs to be provided in a village. There are **12 sets of information** recorded; (1) Basic District Map (2) Land Map (3) Road Map (4) Rural Water supplies (5) Minor Irrigation Works (6) River Clearing Proposals (7) School, Health Centres and Playing Fields (8) Rural Processing and Marketing Facilities (9) Rural Industries (10) Cooperative Development (11)Telecommunication Facilities (12) Rural Electricity Supplies. All the information recorded by headman based on feedback from local residents. The request from residents will be discussed in district and state level. The approved project will be conducted by District Office with financing by Ministry of Rural Development.

drainage coverage from 45729.50 hectares to 81746.50 hectares during First Malaysia Plan (1966-1970) was able to increase rice production by 2.9 % annually during 1961-1965 to 6.0 % during 1966-1970 (Overseas Economic Cooperation Fund of Japan [OECE], 1997, p. 24). However, 88 % of paddy farmers still lived in poverty and the most worst is paddy tenants (Peacock, 1979, p. 377). These results demonstrated that this programme was more focused on increasing the output of rice rather than on enhancing the income of the peasants (Rudner, 1971, pp. 80-89).

The *Majlis Amanah Rakyat* (Council of Trust for Indigenous People) was established in 1966 to provide credit to the poor. However, the credit facilities offered by *Majlis Amanah Rakyat* (MARA) primarily benefited Malay's big producers, rather than the rural poor (Lim, 1973, p. 209; Osborn, 1974, p. 110; Sundaram & Wells, 1983, p. 249).

These situations demonstrated that the rural poverty alleviation strategies enacted during this period were influenced by the theory of modernization. Clearly, programs such as FELDA benefited landless rural peasants; however, these programmes did little to advance the plight of others peasants involved in traditional agricultural activities or to solve the M-M system.

2.4.2 Period 1970 –1990

The tragedy of 13 May 1969 involved major racial riots which caused the breakdown of political and civil order. 13th May was the end result of racial disparities which were mainly brought on by the different economic standards of different races. The wide economic divide, especially between the Malay and Chinese races put stress upon an already strained relationship. Consequently, the riots occurred, leaving a black mark in the history of Malaysia. This economic divide stemmed from the early years of the British colonial period in Malaya. The British policy encouraged the involvement of the Chinese and Indians in the tin and rubber industries, while the Malays are left to continue their traditional agriculture activities (H. Bhattacharyya, 2010). Therefore, economic segregation can be classified as one of the reasons for dissent and conflict within a community.

In order to avoid similar outbreaks in future, the government formulated the National Economic Policy (NEP) to achieve national unity by 'eradicating poverty',

irrespective of race, and by ‘restructuring society’ to achieve inter-ethnic economic parity between the *Bumiputera* and *Non-Bumiputera* (Milne, 1976).¹⁴

In order to alleviate poverty, the government concentrated their efforts on rural development (Aziz, 1964).¹⁵ This involved three main strategies: 1) institution building; 2) fiscal policy management featuring large-scale subsidy programmes; and 3) land development schemes.

Land development schemes consisted of regional development and the continuation of existing land development schemes. The purpose of regional development was to expand employment opportunities through new land development and to enhance the productivity of the rural poor by increasing their access to land, extension services, and public facilities (Ismail and Fuad, 1991, pp. 47-67). The first approach of these regional development schemes was to open up new areas for land ownership. This involved programmes to establish new cities and open up new land for agriculture. The purpose was to attract and relocate people to the recently developed area. Among the leading agencies were the *Lembaga Kemajuan Terengganu Tengah* (Central Terengganu Regional Development Authority), the *Lembaga Kemajuan Pahang Tenggara* (Pahang Tenggara Regional Development Authority), the *Lembaga Kemajuan Johor Tenggara* (Johor Tenggara Regional Development Authority), and the *Lembaga Kemajuan Jengka* (Jengka Regional Development Authority). The second approach was to stimulate *in-situ* development for the rehabilitation of land within existing settled areas. This included programmes to improve existing towns, provide industrial and commercial areas. Among the leading agencies involved in *in-situ* development were the *Lembaga Kemajuan Kedah* (Kedah Regional Development Authority) and the *Lembaga Kemajuan Kelantan Selatan* (South Kelantan Development Authority) (Drabble, 2000, pp. 219-220).

¹⁴ *Bumiputera* relatively means “sons of soil”

¹⁵ Aziz (1964, p. 87), highlighted four approaches to improve the existing poverty alleviation programmes: 1) Institutions of heritage, marketing, credit, renting, wage systems, etc; 2) Attitudes towards money, innovation, saving, incentives, etc; 3) Techniques of processing, cultivation, fishing, etc; 4) Environment including the soil, crops, irrigation works, etc. Based on these factors, he defined rural development in Malaysia “*is a planned process using any form of action or communication designed to change the environment, techniques, institutions and attitudes of the rural people in such a ways as to eliminate their poverty and improve their way of life.*”

Institution building and subsidy programmes were designed to help traditional out of the problems of the M-M system. Various institutions were established or restructured in order to deliver better service for the peasants. Agricultural loans and credit were provided by the *Bank Pertanian Malaysia* (Agricultural Bank of Malaysia) was established in 1969 after the riot. The Malaysian Agriculture and Research Development Institute (MARDI) was established in 1971 to promote scientific, technical, economic, and sociological research, related to the production, utilisation and processing of all crops, except rubber and palm oil, and for marketing of rural products, except rubber, pineapple, palm oil and rice.

By the end the 1980s, the incidence of rural poverty experienced a significant decline, from 59% in 1970 to 20% by the end of 1987. However, the incidences of poverty in traditional agricultural activities were still high. Data shows that the incidence of poverty among paddy farmers, rubber smallholders, and coconut smallholders in Peninsular Malaysia in 1987 were 50.2 %, 40%, and 39.2%, respectively (Shaari, 1994, pp. 26-57).

There are two main phenomena contributing to the continued high incidence of poverty. First, the Integrated Agricultural Development Programmes (IADP) is not designed to help the poorest. The second phenomenon involves the influence of political institutions. The first phenomenon will be discussed below and the second phenomena will be discussed in the following sub-section.

Generally, the incidence of poverty in four major rural agricultural sectors – paddy farmers, rubber smallholders, fishermen and coconut smallholders – decreased considerably by the end of the NEP period (Shaari, 1994). In the paddy sector, those who were not truly poor benefited the most from the Guaranteed Minimum Price (GMP) policy. Under this policy, paddy farmers receive a GMP of M\$496.10 (£101.22) per tonne and an additional subsidy of M\$165.00 (£33.67) per tonne (Lembaga Kemajuan Pertanian Muda (MADA), 2004). Both subsidies contribute 36-54 % of the total income for paddy farmers' in the Muda Agricultural Development Authority (MADA) area. However, the paddy farmers that own less than 0.5 hectares of paddy land or that plant less than one hectare on rented land did not benefit from this programme (Romzi Ahmad, personal communication, January 16, 2006)

Therefore, without subsidies, their incomes would be much lower and the incidence of poverty remained high.

Rubber smallholders were offered a replanting scheme to replace unproductive rubber trees. However, those with less than 0.4 hectares were not interested in this programme because they would lose income during the replanting period. Even though the government provided financial incentives of around M\$800.00 – M\$900.00 or £163.27 - £183.67 per hectare/year; however this sum was not sufficient (Jamil bin Hassan, personal communication, January 17, 2006). Among fishermen, the poorest are those who work as *awak-awak* or low wage assistances for the boat operators. The other poorest fishermen are usually small-time operators engaged in inshore fishing who use traditional gear and net low catches. Through *Lembaga Kemajuan Ikan Malaysia* (Malaysia Fisheries Development Authority), the government provided peasants with new modern equipments; however, this programme did not work because it could not be implemented during the off-season. Peasants also had problems obtaining loan from banks and the government due to a lack of collateral or a guarantor (Harran and Khalid, 1994, p. 62).

2.5 Problem of poverty alleviation for the poorest (After 1990)

The government launched a programme for the poorest, the *Program Pembangunan Rakyat Termiskin* (Development for Hardcore Poor Programme). In addition the AIM also launched a programme to assist the hardcore poor. The AIM provides small loan facilities to the poorest and requires them to pay back the loan within a certain period. In contrast, the *Program Pembangunan Rakyat Termiskin* (PPRT) programme provides assistance on a grant basis or free of charge.

The PPRT programme covers infrastructure, economy (agriculture, cottage industry and small business), human resource development, social services and education. The PPRT programme is characterized by both *in situ* and new settlement approaches. Normally, the *in situ* approach is implemented by state governments through district offices. In this case, the poorest are identified by the chairman of *Jawatankuasa Keselamatan Kerja Kampung* (Village Security and Development Committee – JKKK) and a suitable assistance is assigned to them through the district

office. The new settlement approach is conducted by the Regional Development Authorities (RDAs). In this programme, the poorest are encouraged to resettle in new places that are furnished with basic infrastructure and basic public amenities. Both programme either *in-situ* or resettle approaches have resulted in an overall increase in income for the participants (Malaysia Ministry of Rural Development, 2002, p. 56; Overseas Economic Cooperation Fund of Japan, 1997, p. 62).

However, not all the rural poorest have the opportunity to receive benefits from the PPRT programme. This is due to the political climate in Malaysia. The poorest who do not support the government party – UMNO (United Malaya National Organization) are excluded from this benefit. This has happened because their names are not recommended by the chairman of JKKK, who is also UMNO's representative at the village level (Hamzah, 2005).

This phenomenon is not new, but rather began in early 1960. This has happened to some FELDA settlers and under other similar schemes, housing allocations, jobs and scholarships, and became worse during the NEP period (Shaari, 1994, p. 32; Baharuddin, 1986, p. 207; Mehmet, 1986, pp. 50-51). The idea behind state/government involvement in NEP is to make sure that government wealth reached the poor, particularly the Malay community. However, the UMNO politicians exploit this to access business opportunities within the government sector. As reported by Gomez and Sundaram (1995), almost 20% of UMNO's 165 division chairmen were millionaire businessmen-cum-politicians (Gomez and Sundaram, 1999, p. 26; Henderson, Hulme, Philips and Nur, 2002, p. 15). In UMNO, wealth is very important for securing a position or being promoted. This contributed to development of 'money politics' where wealth was used to bribe existing supporters and new ones during the party elections (Gomez et al., 1999, p. 26). The PPRT programme is one of those that has been used as a reward for supporters. In this case, it was no surprise that some of the participants were not poor, because PPRT was awarded based on support and contributions.

The PPRT programmes were recently replaced with a new programme known as *Skim Pembangunan Kesejahteraan Rakyat* (Development Scheme of Public Happiness). However, the strategy for the distribution of assistance is still based on

political affiliations, where chairman of JKKK still plays role in identifying the poorest.

The Micro credit programme was created to help the poorest people in Malaysia and was based on experience of the Grameen Bank in Bangladesh. AIM was established in 1986 with the objective of giving out assistance through loans to finance income generating activities such as farming, fishing and trading to the poor households who will eventually upgrade themselves and rise above the poverty group. The structure of AIM follows that of the Grameen Bank model of credit delivery, as highlighted in Section 2.2.2. Since then, the Malaysian poor have been benefiting from this micro credits facility to finance any kind of income generating projects that would improve their standard of living and hence, lead them out of poverty. This was proven in the research done by Aziz (2008). In contrast with previous approaches in financing, this loan scheme is characterised by no collateral, no guarantors, no interest, no threat of legal action and simple procedures. No doubt, this programme has been beneficial to the poorest, especially those who lack capital. AIM is proud of these achievements because the loan payment was very high, about 99 % (OECD, 1997).

However, as in many micro credit programmes, the AIM exhibits several weaknesses in attaining poverty alleviation. The problems are highlighted by (Norazura, 2001) who states that there is a lack of responsibility among the staff in the AIM centre, delays in obtaining money and defaults in the clients' payments. Other issues regarding AIM can be found through the criticism from Conroy (2002) who stated that AIM is losing their direction from the actual Grameen fundamental principles by giving out loans to the not so poor or non poor and giving larger loans to better-off borrowers. Another area of concern is AIM's ongoing dependency on government and other related agencies for financial support and funding. With a fixed administrative charge of 4 %, AIM is unable to cover its own operating cost and therefore would make it non-sustainable and cannot be self-dependent. Overall, the problems in the case of AIM can be related to the problems in micro credit organisations in general as discussed in Section 2.2.2.

Even though Malaysia has AIM to carry out micro-credit programmes for the poor, it does not mean that all problems related to poverty will be solved solely by

this scheme. The assistance of Grameen Bank, as a well-known NGO with its successful endeavour in poverty reduction and alleviation can be of benefit to Malaysia, or specifically, Kedah. Kedah is similar to Bangladesh in terms of the poor population's reliance upon the rural agriculture sector. The experiences of the Grameen Bank administration personnel can assist in ensuring that capital assistance can reach every qualified person. Further cooperation between the government, AIM and the Grameen Bank will also improve the overall approaches to poverty alleviation currently practised.

2.6 Social capital and poverty

The concept of social capital has been debated by experts as it can be defined in several ways. Most researchers tend to use the phrase, "it's not what you know, it's who you know" to explain the concept of social capital. However, social capital is defined by Loury (1992) as "naturally occurring social relationships among persons which promote or assist the acquisition of skills and traits valued in the marketplace, an asset which may be as significant as financial bequests in accounting for the maintenance of inequality in our society" (p. 100). This term has only recently been used by authors in describing the assets that a person has in terms of associates who can help the person to escape from crisis or can serve as a source of enjoyment (Woolcock & Narayan, 2000). According to Øyden (2002), "an individual acquires social capital through participating in informal networks, registered organisations, associations of different kinds and social movements, and it represents the sum of these experiences" (p.11).

In Kedah, social capital among the poor differs according to the area. In wealthier areas, the poor have better access and communication with government offices but receive *zakat* from the government or *amil*, which limits communication between the *zakat* receiver and the payer. In poorer areas, those able to pay *zakat* usually give the *zakat* directly to the poor, which results in better communication channels between the poor and the non-poor living in the same community. However, it is difficult for the poor to gain access to government offices and services. Therefore, we can say that the social capital of the poor in wealthy areas and poor areas are different in nature, although nothing can be concluded about the

level of social capital of the two groups, since no detailed research has been done regarding this aspect.

Social capital has been accepted as a means of countering many problems in the modern world such as urban poverty and crime, economic underdevelopment and inefficient governments. As such, it has also recently been introduced as a move for poverty eradication. On the other hand, *zakat* is an Islamic approach to equality and has served as a tool for poverty eradication ever since the advent of Islam. The concept of *zakat* is far more established than social capital, but there are major similarities in the fundamental ideas of these two approaches.

Education has always been linked to the advancement of social capital and ultimately, economic advancement. However, Inglehart (1999) discovered that it helps build social capital in developed countries and does not present much improvement for the poor in developing countries. Education can only assist social capital development if the poor have good access to other networks within the country. If they are marginalised through the practice of “social exclusion”, which is rampant in the modern world, education will not be enough to guarantee their escape from poverty.

Poverty is viewed as a symptom, and therefore a direct approach towards eradicating it will not succeed. Social capital is used as a tool to eradicate poverty based on the idea that it is the only asset that the poor have if they are not given basic social services (Fournier, 2002). This asset can be developed so that the poor will be independently able to rise above the poverty line. However, despite having the capacity for social capital in the form of local communities, the poor require that their communities be linked with external actors and policy makers (World Bank, 2000). This is based on the limitations of the poor to form effective networks in the economy (Øyen, 2002). The poor have different networks as compared to other groups, which are based on their position in the social hierarchy. In addition, they cannot start their own groups or networks to increase their social capital on a large scale. This is where the government must lend a hand in order to help them advance themselves, and subsequently, escape from poverty.

In Nigeria, there is evidence of the effectiveness of local organisations in poverty alleviation (Okunmadewa et. al, 2005). The poor can upgrade themselves

through activities generated by the organisations, which are further linked to larger governmental bodies. These organisations are referred to as community based organisations (CBOs) which act as a safety net for the wellbeing of the poor. Thus, the advancement of social capital is undertaken by the Nigerian government by empowering the CBOs to take charge of their own development. In another case, the study carried out by Okunmedewa et. al (2005) found that in Indonesia, poor households who participate more in local community groups are less likely to become even poorer.

In the practice of *zakat* among Muslims, the advancement of social capital can be achieved through the sharing of wealth between the poor and the non-poor. *Zakat* results in the opening of communication channels between these two groups and also with the governmental bodies involved in *zakat* collection and distribution. Subsequently, poverty eradication can be achieved. It is then evident that the concept of social capital and *zakat* are related.

In addition, Fournier (2002) discusses in her paper that politics plays a major role in the economic development of the poor. Government institutions built on politics are the main players in dealing with poverty, especially institutions dealing with the rural populace. Prakash (2002) highlights that government institutions not only provide the means for the poor to escape from poverty, but they also limit the actions of the poor to advance themselves financially. The poor are more often than not, excluded from networks created by the government to overcome the risks of deprivation. This is the main reason why the term “social exclusion” is used to describe poverty in countries like France and Britain (Prakash, 2002). However, if the concept of *zakat* is applied to a community, it will serve as a constant reminder for the non-poor groups and the state that the poor and needy should not be marginalised. Rather, they should be constantly offered help and assistance. This shows that the concept of *zakat* can serve as a tool to encourage social capital growth within a community.

Furthermore, research done on social capital development across several countries has found that links between the poor and reliable and efficient local government bodies with the cooperation of NGOs and social movements can provide part of the solution to rural poverty (Prakash, 2002). However, this cannot be

achieved if government bodies are hostile towards the poor and needy. In addition, decentralisation of governance also helps in the advancement of the poor, as it provides better access to the implemented programmes. Decentralisation also promotes the community's involvement in poverty eradication. In addition, participation of the public in affairs of the state is another way to fuel the advancement of social capital. This is because a united community, going beyond the borders of gender, race and politics, will promote economic wellbeing. Woolcock (2002) supports this idea by stating that, "divided societies will experience greater difficulty in managing economic shocks."

In this regard, the application of *zakat* and social capital is similar. Centralisation of *zakat* distribution in a large country will result in a lack of efficiency. Decentralisation, on the other hand, will expedite the optimal usage of *zakat* and the accomplishment of programmes involving the *zakat* fund. In addition, the government bodies involved in the collection and distribution of *zakat* should be sympathetic toward the poor and needy, instead of focusing on their duties of distribution only. Innovative programmes should be implemented using the *zakat* fund for the economic advancement of the poor.

In terms of differences, the social capital concept is used to enforce social collateral. This is practised in the Grameen Bank micro credit programme through the use of peer pressure to guarantee repayment. In contrast, the concept of *zakat* does not require this to be done as *zakat* assistance is given without the need for repayments. Overall, government institutions must work hand in hand with the public, especially the rural poor in order to fully utilise the potential for social capital and subsequently combat poverty as a whole.

2.7 Conclusion

The poorest rural people in Malaysia and other LDCs continue to be discriminated against in poverty alleviation programmes conducted by governments and other agencies if sources of funding are influenced by capitalist thinking. To prevent this, LDCs must find other sources that are managed under a different system. Thus, this chapter has discussed the literature to this study which includes an overview about the concept of rural poverty in Malaysia. Furthermore, this chapter has also examined the problem in alleviating program in the LDCs and examined the Rural Development Strategies specifically in Peninsular Malaysia. The next chapter will explained the administration of *zakat* in Malaysia.

Chapter Three

Administration of *Zakat* in Malaysia

3.0 Introduction

Zakat is a funding mechanism that can be used to alleviate poverty in Malaysia. The administration of *zakat* in Malaysia is controlled not by the federal government but by individual states. The reason for this arrangement is that religious matters, including *zakat*, are under the authority of the ruler of each state. Although the collection of *zakat* in each state has increased considerably, yet the total amount is still not enough to alleviate poverty, especially in the poor states. In that situation, transferring surplus *zakat* from rich to poor states might be a means of solving the problem. However, the proposal to establish a central body to collect some of the *zakat* from all the states and redistribute it to the poor states, in particular, has been rejected by most states. Chapter Three examines the development and administration of *zakat* in Malaysia as well as questions arising from its collection from rural producers and the transfer of its proceeds. The chapter begins with a discussion of the definition and concept of *zakat* as well as matters related to distribution and transferring *zakat*.

3.1 Basic concept of *zakat*

The word *zakat* (alms-giving) is the infinite of the verb *zaka*, meaning to grow and to increase. Consequently, *zakat* means blessing, growth, cleanliness or betterment (al-Qaradawi, 1999; Ahmad, 1991; Majid, 2003). It is so called as it blesses the wealth from which it is taken and protects it from misfortunes. The concept of *zakat* is a doctrine introduced in the early stages of Islam, according to which every Muslim is required to help the poor and poorest by surrendering a small portion of his/her wealth. In Islam, the real ownership of everything, including wealth, belongs to God. Although Islamic teachings allow human beings to declare their ownership of property, nevertheless, a portion of it belongs to others, and this must be surrendered, whether people like it or not (Ahmad, 1991).

Notably, systems like *zakat* were introduced by other religions before the advent of Prophet Muhammad (pbuh) and his teachings. Similar practices were

followed by Eastern religions, such as the Hindu concept of almsgiving, known as *datrta datrva* (Geden, 1913,) and Buddhism's *dana* (Davis, 1913, pp. 381-382). Christianity uses the term "tithe", or tenth, which defines the part of one's income that one was required by law to pay to the Church for the maintenance of its institution, the support of its ministers or priests, the promotion of its works and the relief of the poor (MacCulloch, 1913, pp. 347-350).

Al-Qaradawi (1999), notes that *zakat* has been practised to help the *faqir* and *miskin* since the time of the early Muslim community in Mecca. Muslims were always strongly encouraged to look after the poor, as stated in *Surat al-Muddaththir*, which was among the earliest *surahs* (chapters) revealed in Mecca. The verse mentions those people who are in Hell because, among other reasons, they did not feed the poor.¹⁶ Since the teachings of Islam encouraged people to help the poor, some of those who had been helped, particularly the "freed slaves" during the early years of Islam in Mecca, converted to Islam (Yaacob, 1993, pp. 106-116).

The words *zakat* and *sadaqa* are used interchangeably in the Qur'an. Opinions differ on this practice: some scholars define the term *zakat* as being the same as *sadaqa*. In the *Muwatta'*, *sadaqa* takes the place of *zakat*. In contrast, Bukhari, in *Sahih Bukhari*, uses *zakat* where Malik uses *sadaqa*. Bukhari refers to the Prophetic tradition as follows: "There is no *zakat* on less than five she-camels" (Sahih Bukhari, n.d).¹⁷ From the above, it can be seen that Bukhari differentiated between *sadaqa* and *zakat*, whereas Malik considered them to be the same.

To clarify the meaning of the two terms, it is best to refer to the explanation of Aghnides (1916):

Zakat also means the things to be given. *Sadaqa* is another name for *zakat*. The general usage, however, is to consider *sadaqa* as a more generic term applying to the alms whose payment is a *fard* (obligation), as well as to the alms the giving of which is entirely voluntary (*tatawwu'*). In other words, while every *zakat* is also *sadaqa*, only the *sadaqa*, which is a *fard*, is *zakat* (p. 185).

There are two types of *zakat*: *zakat al-fitr* (*zakat* on oneself) and *zakat al-mal* (*zakat* on wealth). *Zakat al-fitr* is a small amount that Muslims are obliged to pay as charity during the month of *Ramadan*. *Zakat al-mal* is payable at any time of the year after a person's annual earnings (*haul*) reach or exceed the exemption limit (*nisab*).

¹⁶ Holy Qur'an 74:38-45.

¹⁷ *Sahih Bukhari*, Book 24, no.486.

Both types of *zakat* were made compulsory for all Muslim in Medina: *zakat al-fitr* in 2 AH (after *Hijra*) and *zakat al-mal* in 9 AH. The main reason why *zakat* was not introduced earlier in Mecca was that Islam was not yet fully established there. Once believers understood their duty to Allah, it was possible to make *zakat* compulsory (Esposito, 1995, p. 367; Siddiqi, 1983, pp. 39-40).

3.1.1 Administration of *zakat* by the state ruler

As mentioned above, *zakat al-fitr* was made compulsory earlier than *zakat al-mal*. However, it is not clear whether *zakat al-fitr* was administered by the state ruler from before 2 AH. Hassanuzaman (1974, p. 174) says that Prophet Muhammad (pbuh), as the ruler of Medina, began collecting *zakat* in 8 AH, a year before *zakat al-mal* was made compulsory for Muslims, by sending ‘Ala al-Hadrami to Bahrain and ‘Amr to Oman as *zakat amils* (*zakat* collectors). Later, the Prophet (pbuh) sent *zakat* collectors to 31 places/tribes all over the Arabian Peninsula. Therefore, as many modern researchers have pointed out, the administration of both types of *zakat* was controlled by the ruler of the Muslim state (al-Qaradawi, 1999; Esposito, 1995; Ahmad, 1991).

The question is whether Muslims should pay *zakat* to oppressive or corrupt rulers. The majority of jurists during the early period of Islam, among them Sa‘d ibn Abi Waqqas (d. 55 AH), Abu Hurayra (d. 57 AH), Abu Sa‘id al-Khudri (d. 74 AH) and ‘Abd Allah ibn ‘Umar (d. 73 AH), held the view that, whatever the situation, *zakat* must be paid to the state ruler. On the other hand, some jurists, such as ‘Abd Allah ibn ‘Abbas (d. 67 AH) and Sa‘id ibn Musayyib (d. 94 AH), considered it preferable to pay *zakat* directly to the beneficiaries (Siddiqi, 1983).

During this time, certain jurists would also have agreed that *zakat* could be paid directly to the beneficiaries. Nevertheless, it should be borne in mind that it was not easy for those jurists to express their view publicly. In their opinion, if the *zakat* was taken by the ruler, it was considered to have been paid. However, the payers should assess their surplus wealth, which had not been assessed by the state ruler, and then they should pay the *zakat* directly to the beneficiaries (Siddiqi, 1983). Following this opinion, Siddiqi, Professor of Islamic Studies at the University of Karachi, states that the theory of *al-mal al-zahir* (visible property) and *al-mal al-batin* (invisible property) appeared and was adopted by later jurists. Visible

property consists of items that can be easily seen and counted by people other than their owner, such as agricultural produce and livestock. Invisible property consists of those items that can be easily hidden by their owner from public view, such as money and business assets (Siddiqi, 1983, p. 133).

Later, the majority of jurists from the main four Sunni schools of thought agreed that *zakat* could be paid to oppressive rulers if they distributed the proceeds fairly to the beneficiaries. Ahmad b Hanbal did not see any difference between visible and invisible property, and therefore, *zakat* could be paid to oppressive rulers if they distributed *zakat* fairly to the beneficiaries. Abu Hanifa declared that the required portion of both visible and invisible property should be paid to the ruler, provided that it was distributed fairly to the beneficiaries, even though he might be considered oppressive. This opinion was shared by Muhammad b Idris al-Shafi'i and Malik b Anas. According to Muhammad b Idris Al-Shafi'i, Malik b Anas and Ahmad b Hanbal, however, if *zakat* payers realized that their ruler was not distributing *zakat* fairly to the beneficiaries, they were allowed to refuse to hand over their *zakat* to the state. In this situation, Muhammad b Idris al-Shafi'i declared that the *zakat* payer could distribute invisible property directly to the beneficiaries, instead of paying it to the oppressive ruler. Malik b Anas shared this opinion, and limited the distribution of *zakat* to the *faqir* and *miskin*¹⁸ only (Siddiqi, 1983). The ruler should distribute it to other beneficiaries.

In modern times, al-Qaradawi (1999) asserts that *zakat* should be handed over to the state ruler who intends to base his state on Islam, even if his government may not practice Islam fully. However, he prefers that a quarter or one-fifth be left for *zakat* payers to distribute to beneficiaries whom they know personally. However, if the rulers do not intend to base their government on Islam as the basis of their state, then *zakat* should not be paid to them (pp. 141-142).

Until 1997, only thirteen members of the Organization of Islamic Countries (OIC) had arranged for the collection of *zakat* by introducing *zakat* laws and regulations.¹⁹ However, only six of these countries conducted the collection of *zakat*

¹⁸ The definition of *faqir* and *miskin* are discussed in section 3.1.4.

¹⁹ Among those states are Saudi Arabia, Pakistan, Sudan, Jordan, Kuwait, Qatar, Bahrain, Bangladesh, Indonesia and Oman.

according to the law (Ahmed, 2004, p. 105).²⁰ In the other countries, individuals have been free to pay *zakat* or not as they wish (Kuran, 2001, pp. 245-246).

The collection of *zakat* by the state is not an easy task. Many Muslims still prefer to disburse *zakat* themselves, rather than surrender it to the state's *zakat* body. In Sudan, a regulation was introduced to allow 20 per cent of *zakat* not to be surrendered to the state body known as the *Diwan az-Zakat*. This gave the *zakat* payers the opportunity to distribute the proceeds themselves. (al-Abidin, 1997). In Pakistan, the *Zakat and Ushr Ordinance* of 1980 lays down the Pakistani government's role in the collection and distribution of *zakat*. The Ordinance allows the federal government to deduct mandatory *zakat* on certain categories of wealth, particularly savings and income. *Zakat* is deducted from bank accounts on the first day of Ramadan every year and deposited directly into the Central *Zakat* Fund maintained by the State Bank of Pakistan (Ahmad, 1991). People still can avoid paying *zakat* by withdrawing money from their savings accounts before the beginning of Ramadan (al-Abidin, 1997). In its early years, Pakistan's *zakat* law required that Sunni and Shiah Muslims pay *zakat* to the Central *Zakat* Committee. However, later the Shiahs were exempted owing to their objections (Kuran, 2001, pp. 245-246).

In non-Muslim countries, *zakat* is collected by other public institutions, such as mosques, and today also by non-governmental organizations (NGOs). Nevertheless, Ghana's Muslim community has refused to pay *zakat* to the NGOs, preferring instead to pay it to an *imam* or directly to the *faqir* and *miskin*. The disadvantage of not surrendering *zakat* to the NGOs is that it makes it difficult for these organizations to establish facilities such as schools, kindergartens and clinics, the high cost of which the public has to bear if it is to be granted these benefits by the government (Weiss, 2002).

Ghana's situation contrasts with that of South Africa, where nine Islamic NGOs collect *zakat* from Muslims. However, the disadvantage of this multiple arrangement is that the amount collected by individual NGOs is small. Ahmed's (2004, pp. 104-105) study shows that the average amount of *zakat* collected by each of the nine NGOs is ZAR3.934 million (£290,464.00). Consequently, the *zakat*

²⁰ Among those states are Pakistan, Saudi Arabia and Sudan.

assistance provides the *faqir* and *miskin* with a more substantial allowance to pay for food, rent and utilities bills, as well as tuition fees for schools, colleges and universities. In addition, there is some overlap when claimants receive *zakat* from more than one NGO.

3.1.2 Types of *zakat*

The types of wealth on which *zakat al-mal* is levied, as mentioned in the Qur'an, are gold and silver, crops and fruits, earnings from trade and business, and what is extracted from the earth. Except for these items, the Qur'an mentions *zakat* in general under the heading of *amwal* (assets or wealth), such as in *Surat al-Tawbah* (9:103): "Take *sadaqa* from their wealth to purify and cleanse them." According to Majid (2003, pp. 76-77), in explaining the relationship between these two groups of verses, those four properties on which *zakat* is levied are the only examples given by the Prophet (p). However, *zakat* is liable to be paid not only on these items, but also on all types of wealth.

During the era of Prophet Muhammad (p), the wealth on which *zakat* was levied was livestock (*al-mashiyah*), agricultural or farm produce (*al-harth*), gold and silver (*al-ayn*), and buried treasure (*al-rikaz*) (Aghnides, 1916, pp. 244-282). There is no clear reason why *zakat* was levied on these sources of wealth in particular, although they were probably the only sources available to the Muslims in Medina at that time (Kahf, 1991; Kuran, 2001; al-Qaradawi, 1999; Ahmad, 1991). During the era of the second caliph, 'Umar, the list of items liable for *zakat* was extended to include some new sources of wealth that had been exempted by the Prophet (pbuh). For example, 'Umar, applying *ijtihad*, introduced the levying of *zakat* on horses, because, after the conquest of Syria and Palestine, these regions produced horses on a large scale for trade. Another example was the addition of lentils (*al-'adas*) and chickpeas (*al-humus*) as items liable for *zakat*, also introduced by 'Umar (Siddiqi, 1983). This shows that the wealth on which *zakat* was levied depended on both locality and time.

In contrast, *zakat al-fitr* is levied on people rather than wealth. It means that all Muslims, regardless of their sex, age or wealth, are required to pay *zakat al-fitr*. The item to be given as *zakat al-fitr* is each country's staple food. According to al-Qaradawi (1999, pp. 587-589) and Majid (2003, pp. 107-108), in cases where money

is more useful than food to the recipients, particularly the poor, *zakat al-fitr* can be paid in money/cash equivalent to the value of 2176 grams of staple food per person. The *zakat* payment can be made from the first day of the month of *Ramadan* until before the *Eid al-Fitr* prayers. The reason that payers were allowed to pay *zakat al-fitr* at the beginning of Ramadan was to make it easier for the state to distribute *zakat* to the recipients.

3.1.2.1 The nisab of *zakat al-mal*

Zakat al-mal was levied only if one held a property whose value reached a certain minimum level known as the *nisab*. Today, this can be classified as a Poverty Line Income (PLI), whereby anyone holding property valued above the *nisab* is considered rich, and is therefore obliged to pay *zakat*. According to Majid (2003, pp. 107-108), however, Abu Hanifa asserted that the *nisab* did not apply to crops, fruits and minerals. He considered anything extracted from the earth liable to *zakat*, whether it was a small or large amount.

The Prophet (p) exempted anything less than five camels, 40 sheep, 200 silver *dirhams* or five *awsaq* of grain, fruits or agricultural crops. Ahmad ibn Abdul Rahim ad-Dhilawi²¹ (as cited in al-Qaradawi, 1999) explains how these quantities are assessed:

Five *wasqs* of grain or dates is considered the minimum because that amount would be the minimum required to sustain for a year a household composed of three people. On average, each person ate one *ratl* or *mudd* of grain per day. Five *wasqs* would therefore be sufficient for three people for a whole year, and a small extra quantity should be left as provision for emergencies. For silver, the minimum required to be taken for *zakat* is 200 hundred *dirhams*, because this would be sufficient for some households for one full year, at prices similar to those prevailing at the time of the Prophet (pbuh). Five camels are the minimum for *zakat* and the *zakat* on them is one sheep. In principle, *zakat* is collected in the same form as the asset on which it is due, but camels were exchanged for sheep at the time of the prophet (pbuh) at the rate of 8 to 1, 10 to 1 or 12 to 1, as reported in many *hadiths*. One camel out of five would be too much, so one sheep is considered the amount of *zakat* due on five camels, because five camels would equal at least 40 sheep, on which the *zakat* due is one sheep (p. 85).

This quotation shows that a rich person is one who has enough wealth to support three family members with food for a year. Those who possess less wealth than that (*nisab*) are considered to live in poverty. Nevertheless, it is not clear whether those people are classified as the poor or the poorest.

²¹ He is Ahmad ibn 'Abdul Rahim, known as Shah Waliyu'llah, the renovator of Islam in India, d. 1176 AH.

The *nisab* proposed by the Prophet (p) is based on the conditions of his time. When applying the appropriate *nisab* to the modern era, Kahf (1991) has urged that its level should be reset:

The criterion for *zakatability* is set at 200 *dirhams*, or its equivalent, for stock items and at 653 kilograms for agricultural products. According to Shah ad-Dhilawi, either of these two amounts is sufficient for a family of three's minimum food requirement. It is obvious that this amount is below the subsistence level in today's terminology because the present subsistence level includes housing, clothing and miscellaneous requirements in addition to food (p. 176).

It seems that the idea of re-fixing the *nisab*, as proposed by Kahf, takes into consideration not only food, but also other essential needs. According to al-Qaradawi (1999, p. 88), it is left to local experts to formulate the criteria for essential needs.

In debating whether the *nisab* should include debts and expenses, al-Qaradawi (1999, p. 94) and Kahf (1991, p. 176) prefer these items to be deductible. al-Qaradawi (1999, pp. 193-195) points out that Islamic teachings tend to help debtors by facilitating the means of freeing themselves of the burden of debt. One can be completely exempt from *zakat* if one's total assets after the deduction of debts are below the *nisab*. If one's total assets after the deduction of debts exceed that level, however, then one is liable to pay *zakat*.

3.1.3 Beneficiaries of Zakat

As discussed above, the Qur'an does mention general types of property on which *zakat* are to be levied. However, the Qur'an specifically mentions that the revenue can be distributed to only eight groups: the poorest, the poor, *zakat* collectors, those whose hearts are being reconciled, emancipated slaves, people in debt, payments made for the cause of Allah, and travellers. The reason why the beneficiaries of *zakat* are clearly mentioned is to avoid any misconduct in its distribution (Majid, 2003).

There are two main inter-related issues, however. One is the use of *zakat* for emancipating slaves, and the other is the amount of *zakat* distributed to beneficiaries. Regarding the use of *zakat* for emancipating slaves, al-Qaradawi (1999, p. 395) states that although slaves no longer exist in modern times, *zakat* may be used to help free Muslims from physical and psychological oppression. He also notes that nowadays, when many wars are being waged, *zakat* may be used to free Muslim prisoners from the enemy. In this case, it is agreed that *zakat* can be transferred to other places or nations.

The question of the equal division of the *zakat* revenue among the eight types of beneficiaries, depends on the amount collected and the requirements of the beneficiaries. If all the beneficiaries require the same amount of *zakat* assistance, then it must be divided equally among them. However, if some of the beneficiaries require more *zakat* than others, it should not necessarily be divided equally among them. However, the *zakat* administrator receives only one-eighth of the *zakat* proceeds. When the *zakat* fund is small, the proceeds are not necessarily divided equally among all beneficiaries. It is left to the state's *zakat* agency to distribute it to those groups whose needs are greatest. There is general agreement, however, that priority must be given to the poor and the poorest (al-Qaradawi, 1999, pp. 442-443; Tarimin, 2005, p. 90; Majid, 2003; pp. 486-487).

According to these opinions, when *zakat* funds are abundant and are required by all the beneficiaries, then *zakat* assistance must be distributed to all the claimants. If *zakat* funds are small, however, the distribution of *zakat* might not necessarily cover all beneficiaries. In this case, therefore, it can be distributed to certain beneficiaries, based on their actual needs and the public interest.

3.1.4 Zakat for the *faqir* (poorest) and the *miskin* (poor)

3.1.4.1 Who are the *faqir* and *miskin*?

These two terms – *faqir* (pl. *fuqara*)²² and *miskin* (pl. *masakin*),²³ – describe those people living in poverty. Islamic scholars have different ways of defining the status of a *faqir* and a *miskin*. One opinion bases the classification on the social integration of the claimants. For example, Ibn Kathir (1301–1373) describes the *faqir* as someone who is in need, but who is also modest enough not to beg, whereas the *miskin* is someone who is in need and stoops to begging (Ibn Kathir, 2000, p. 454).

According to al-Qaradawi (1999, p. 10), the four prominent Islamic jurists also differ in their opinions of the terms *faqir* and *miskin*. Abu Hanifah stated that the *faqir* was a person, the value of whose property was below the *nisab* (less than 200 *dirhams*), whereas the *miskin* was someone who has the very least of possessions or

²² Occurs in 12 places in the Qur'an: 2:271 & 273, 3:181, 4:6, 4:135, 9:60, 22:28, 24:32, 28:24, 35:15, 47:38, 59:8.

²³ Occurs in 23 places in the Qur'an, 9 are Meccan (17:26, 18:79, 68:24, 69:34, 74:44, 76:8, 89:18, 90:13, 16, 107:3) and 21 Madinan (2:83, 177, 184 & 215, 4:8 & 36, 5:89 & 95, 8:41, 9:60, 24:22, 30:38, 58:4, 59:7). The combination of both terms occurs in 9:60

who owns nothing. In contrast, the view of the Shafi‘i, Hanbali and Maliki schools is that the *faqir* is a person who possesses no property nor has any steady employment, or although he/she may possess some property and have an occupation, his/her earnings are sufficient only to meet less than half of his/her needs, whereas the *miskin* is a person whose income satisfies more than half of his/her essential needs (al-Qaradawi, 1999, pp. 344-345; Sabra, 2000, p. 10). Clearly, the opinion of the Shafi‘i school in classifying the *faqir* and *miskin* is more subjective than that of the Abu Hanifa, which sets the limit of self-sufficiency at 200 *dirhams*.

The third opinion is derived from Abu Yusuf, a disciple of Abu Hanifa, and Ibn al-Qasim, a companion of Malik bin Anas, who both said that there was no difference between the *faqir* and the *miskin*. This opinion was published during the administration of the Mamluk government in Egypt (1250–1517), under which both types of claimants were classed as one group within the seven categories of Egyptian society (Allouche, 1994).

Yaacob (1993, pp. 235-237) found that *faqir* and *miskin* could be classified as one group. She explains that the term *faqir* referred specifically to those people who had migrated to Medina and left all their property in Mecca. Most of them lived in poverty and stayed in the Prophet’s mosque. The definition of *faqir* and *miskin* does not present any practical problem for the distribution of *zakat*, because both groups are eligible to receive it (al-Qaradawi, 1999, p. 345; al-Abidin, 1997, p. 73). al-Qaradawi (1999, p. 360) classifies the *faqir* and *miskin* into two groups. One consists of the *faqir* and *miskin* who can work and earn their sustenance, such as those who are capable of running a business that needs capital or equipment for its establishment. The second consists of those who are incapable of earning money because they are physical handicapped, such as the elderly, or the socially handicapped, such as widows raising children.

3.1.4.2 Method of *zakat* distribution to *faqir* and *miskin*

Ideally, a healthy and capable man does not need *zakat*. However, he might be trapped in poverty because no lawful employment is available, or because he does not earn enough from his employment for his personal and family needs, or because a natural disaster has caused a lack of employment and production. People in these

categories would be entitled to and given an amount sufficient to relieve them from poverty (al-Qaradawi, 1999, p. 352).

The poor who possess property such as a piece of real estate, but who are still unable to meet their needs, also qualify for *zakat*. The amount of *zakat* given should satisfy their needs. In this case, *zakat* helps these people to retain their property, the sale of which would only make their lives more vulnerable. The net earnings, particularly of the elderly, widows, disabled and orphans, should be sufficient to ensure that they are no longer under the pressure of poverty. If it is not enough – owing to longevity of life – *zakat* should continue to be paid annually. The government's role is to ensure that its citizens are totally free from poverty. This could be done by regular payments of *zakat* to the poor. This system was applied by 'Umar when he distributed *zakat* regularly to ensure that the poor were fully relieved of their condition, and he did so after receiving a complaint about poverty (al-Qaradawi, 1999, p. 356). Abu 'Ubayd supported this system as long as the distribution of *zakat* was not influenced by bias or personal preferences (Abu 'Ubayd, 2003, p. 517). al-Qaradawi (1999, p. 358) also agrees with it. In his view, the establishment of factories and profitable businesses, put into the ownership of the *faqir* and *miskin*, can improve their quality of life. These properties become a form of perpetual trust for these poor people.

Looking at the practices of the past, we can conclude that there are two methods of distributing *zakat*: (1) to provide sufficient *zakat* to release the poor from the poverty trap permanently; and (2) to give one year's sustenance.

Towards the end of the twentieth century, central *zakat* bodies in Pakistan, Sudan, Egypt and South Africa distributed *zakat* under both systems. The most popular *zakat* assistance programme granted a certain amount of money, either monthly or annually, to the disabled, widows and the elderly who faced difficulty in earning money themselves. In Sudan in 1996, the sum of £S800 was distributed among 500,000 poor families (al-Abidin, 1997, p. 80) and in Pakistan in 2000, Rs500 per month (£400.00) was given to the poor (Ahmed, 2004, pp. 93-94).

The *zakat* assistance given to the *faqir* and *miskin* who can work is integrated into an economic programme. In Egypt, for example, the Nasir Bank, a member of an organization that has collected *zakat* in Egypt since early 1970, provided poor taxi

drivers with 37,000 taxis (al-Abidin, 1997, p. 80). In Pakistan, before 2001, the percentage of *zakat* funds allocated to economic programmes was less than 10 per cent. However, there was a major change in the policy on the disbursement of *zakat*. Before 2001, the amount disbursed was usually less than the amount collected. This resulted in a surplus of more than Rs20 billion (£16,400,000.00). In 2001, the Central *Zakat* Committee spent this excess amount on an economic programme known as the *Zakat* Rehabilitation Scheme. About 58 per cent of *zakat* funds was allocated to this programme (Ahmed, 2004, pp. 93-94).

The *zakat* programmes described above are designed to give direct assistance to the poor. There is also another type of *zakat* assistance, in which the *zakat* funds are used to help household dependants by paying for vocational training, and school and university fees. These programmes are long-term strategies to help family members escape from poverty (Ahmed, 2004, pp. 93-94)

In addition to these programmes, Egypt's *zakat* funds are used to provide hospital and clinic facilities to help the *faqir* and *miskin*. In the province of Punjab in Pakistan, the local *Zakat* Committee has established 58 Vocational Training Institutes able to train 14,000 students annually. By the end of 2008, the Committee plans to open 500 of these institutes to train 100,000 poor students annually (Ahmed, 2004, p. 94). However, this programme is not popular in Sudan and South Africa because the amount of *zakat* collected in those countries is small.

3.1.4.3 The transfer of *zakat*

It should be emphasized that the objective of alleviating poverty with the assistance of *zakat* funds may be realized only if the amount of *zakat* collected is sufficient. In a poor Muslim country such as Sudan, even if the *zakat* revenue reaches 4 per cent of the Gross Domestic Product, the total *zakat* funds still would not be enough to alleviate the poverty affecting 95 per cent of the population.

The practice of transferring *zakat* was allowed during the time of the Prophet (p). The priority is to distribute *zakat* in the area where it has been collected. This practice is based on a tradition initiated when Prophet Muhammad (p) asked Muadh bin Jabal to distribute *zakat* to the *faqir* and *miskin* in the locality where it had been collected. However, *zakat* was also used to help the *faqir* and *miskin* in other regions during the early period of Islam. Prophet Muhammad himself (pbuh) received *zakat*

from Hamzah ibn Nu'man, a chief of the Banu 'Udhra and the first person to bring *zakat* from his tribe to the Prophet (Hasanuzzaman, 1974, pp. 168-160). We can conclude that *zakat* should be spent in the area where it is collected, with any surplus paid to the *baitulmal*, which can use it to help the *faqir* and *miskin* in other regions (Holy Qur'an 59:7).

3.2 Zakat in Peninsular Malaysia

3.2.1 Islamic matters and the state in Peninsular Malaysia

The Federal Constitution of Malaysia (1957), which consists of 15 sections, covers the states, religion, federal law, the distribution of power, nationality, Parliament, financial matters, elections, public services, and emergency services.²⁴

The federal constitution proclaims Islam to be the religion of the federation. However, the power of administration lies with the state ruler. In states like Penang, Melaka, Sabah, Sarawak, and Wilayah Persekutuan (Kuala Lumpur, Labuan and Putrajaya), which have no ruler, the *Yang di-Pertuan Agong*, or paramount ruler, is in charge of Islamic matters.²⁵ The *Yang di-Pertuan Agong* is appointed, like the rulers of the other nine Malay states, every five years.

State administration of Islam is a continuation of British policies in Malaysia (1874–1957). This can be found in the key passage (Clause V1) of the Treaty of Pangkor (1874);

That the Sultan receives and provides a suitable residence for a British Officer, to be called resident, who shall be accredited to his court, and whose advice must be asked and acted upon in all questions, other than those touching Malay religion and custom (p. 58).

The ruler of each state as the head of Islamic matters is advised by a State Islamic Religious Council (*Majlis Agama Islam Negeri*, henceforth MAIN). The first state to establish this State Islamic Religious Council was Kelantan in 1915. Other states in Malaysia followed suit (Roff, 1974; pp. 101-152; Nasir, 1999, pp. 183-202). To date, there are 14 MAINs: one in each of the 13 states, and one in the Federal Territory of

²⁴ The state is for Islamic law, Malay customs, land, agriculture, forests, local government, water, and civil state services. Federal rulers are responsible for external affairs, defence, internal security, federal citizenship, finance, trade and commerce, communications, education, health, social security, and tourism. Shared responsibilities include social welfare, scholarships, town and country planning, drainage and irrigation, sports, and the preservation of heritage. See, schedule 9 of the Federal Constitution of Malaysia.

²⁵ Article 3(1) and Article 3(2) of the Federal Constitution of Malaysia.

Kuala Lumpur, Labuan, and Putrajaya. These MAINs have a unique status in that they are not part of the federal or state government, but serve as advisers to the ruler. The MAIN formulates policies on Islamic matters in each state, whereas the *Jabatan Agama Islam Negeri* (State Department of Islamic Religious Affairs) is the state government body that implements policy.

3.2.2 MAIN and the administration of *zakat* and *fitrah*

Generally, the *zakat al-mal* and *zakat al-fitrah* are Islamic matters controlled by the ruler of the state. However, Kedah is the only state that does not use the state body, *Jabatan Zakat Kedah* (Kedah Department of *Zakat*, henceforth referred to as KDoZ) to collect the *fitrah*. As a result, the enactments gazetted for the administration of *zakat* and *fitrah* by the respective State Islamic Affairs Council have variations in definition and implementation. Table 2.1 illustrates the definitions of *zakat* in Peninsular Malaysia (Nasir, 1999).

Table 3.1: Interpretation of *zakat* according to the states in Peninsular Malaysia

Malay State	Interpretation of <i>zakat</i>
Perlis and Perak	A compulsory donation made by a Muslim from his property and income in accordance with Islamic law.
Kelantan and Pahang	The tithe or crop payable annually under Islamic law in respect of paddy land.
Kedah	A gift required of a Muslim in accordance with Islamic law.
Selangor	A tithe of certain property, payable annually in accordance with Islamic law.
Johor	A tithe upon property, paid by a Muslim in accordance with Islamic law.
Penang	<i>Zakat</i> on certain property, which is payable annually in accordance with Islamic law.
Melaka	The tithe of certain property, payable annually in accordance with Islamic law.
Terengganu	The tithe of paddy crop and livestock, such as cattle, goats and sheep, payable annually in respect of paddy planted and livestock reared, subject to the exemptions prescribed by this Enactment.

Source: Data from Nasir (1999, p. 206).

Fitrah is an obligatory tax payable in either husked rice (*beras*) or its equivalent in money by every Muslim at the completion of the fast during the month of Ramadan. This practice too has been subject to various interpretations. Table 2.2

illustrates the definitions of *fitrah* by some of the states in Peninsular Malaysia (Nasir, 1999).

Table 3.2: Interpretation of *fitrah* by the states in Peninsular Malaysia

Malay state	Interpretation of <i>fitrah</i>
Perlis	A <i>gantang</i> of rice or its substitute.
Selangor, Pahang and Kelantan	The amount of rice payable annually under Islamic law.
Perak	One <i>gantang</i> of husked rice (<i>beras</i>) payable according to Islamic law by every Muslim every year in the month of Ramadan up to the prayer of <i>Eid al-Fitri</i> .
Kedah	Fitrah is deemed a <i>zakat batin</i> (concealed payment). Its payment is the prerogative of the payer.
Melaka	The amount of rice or its equivalent value in money, payable annually under Islamic law, by a Muslim at the end of Ramadan. These funds are to be used for religious or charitable purposes recognized by Islamic law.
Terengganu	The amount of rice or its equivalent value, payable annually under Islamic law at the end of Ramadan, to be used in accordance with Islamic law.
Johor	The amount of rice or its equivalent in money, payable by every Muslim annually in accordance with Islamic law.

Source: Data from Nasir (1999, p. 207).

According to Roff (1974, p. 115), the administration of *zakat* and *fitrah* by a central body began in the early twentieth century under the British administration. Kelantan was the first state to regulate the administration of *zakat* in 1907. The main challenge facing the establishment of the *Majlis Ugama Islam dan Istiadat Melayu Kelantan* (Kelantan State Islamic Religion and Malay Custom, MAIMK) was to manage the religious fund (Roff, 1974).²⁶ Previously, the Kelantan state government had difficulty in paying salaries or meeting expenditures for Islamic matters, such as the travel expenses of *kadis* and clerks and the construction of mosques. In 1916, a few months after the establishment of the MAIMK, with *Zakat* Notice no. 3 of 1916, the MAIMK requested the payment of two-fifths of the *zakat* proceeds in Kelantan. With these funds, the MAIMK was able to pay the expenses of the staff, the *imam* and the mosques, and still have a balance of M\$7000 (£1428.57) (Roff, 1974, pp. 135-136). By 1938, the administration of *zakat* under the MAIMK was strengthened by the *Enactment of Majlis Ugama Islam dan Adat Istiadat Melayu Kelantan*.

²⁶ Used to be called as *Majlis Ugama* instead of *Majlis Agama* prior to 1980s

The first state after Kelantan to bring *zakat* and *fitrah* under the state control was Terengganu, where the *Jabatan Agama Islam Negeri* (State Department Religious Affairs), under the direct command of *Menteri Besar* (Chief Minister), organized the collection and disbursement of these funds. Pahang adopted this system in 1922, followed by Perlis in 1930, Johor in 1934, and Kedah in 1936 (A.Ibrahim, 1965, p. 336). By the 1950s, Selangor and Perak had established the administration of *zakat* by each state's *Majlis Agama*. In 1957, Negeri Sembilan was the last Malay state to implement a form of *zakat* administration before Independence. Then, in the early 1960s, Melaka and Penang, two states without a ruler, also collected *zakat* under the administration of the MAIN and on behalf of the *Yang di-Pertuan Agung* (paramount ruler). The power to collect and disburse *zakat* was vested in the MAIN in each state and administered by the respective State Department Religious Affairs's (Nasir, 1999, pp. 207-246).

3.2.3 Expenditure of MAIN and *zakat*

Zakat and *fitrah* were administered by the *baitulmal*, a unit established under each Islamic Affairs Council. The *baitulmal* also administered *waqf* property and voluntary contributions. Before Independence, the Selangor and Kelantan Islamic Religious Councils operated from the *baitulmal*. In Perak and Pahang, however, the State Islamic Religious Council was partly supported by the State Treasury. Normally, the State Treasury contributes by building state mosques, state religious schools (*madrasah negara*), and *kadi* residences (Nasir, 1999, pp. 189-190).

After Independence, the state government continued to support the expenditure of the MAIN. By the end of the 1960s, the Negeri Islam Islamic Religious Council of was totally financed by the State Treasury (Nasir, 1999, p. 194).

However, financial support by the State Treasury is not sufficient for most MAINs. Consequently, as reported by the Department of the Prime Minister (1984), most MAINs, with the exception of the Kedah State Islamic Religious Council (MAIK), use *zakat* and *fitrah* to support the MAIN. The Department of the Prime Minister (1984, p. 45) asserts that the use of *zakat* and *fitrah* for the MAIN is not in accordance with Islamic law because the MAIN cannot be considered a beneficiary of *zakat*.

Currently, the Selangor Islamic Religious Council (MAIS) and the the Johor Islamic Religious Council (MAIJ) are partly supported by these funds. The MAIJ uses *zakat* and *fitrah* only to support the *baitulmal* (Azlan bin Abdullah, personal communication, February 3, 2006).

3.3 *Zakat* in Malaysian rural development

3.3.1 *Zakat* on paddy and the poverty sector

Paddy (rice) is the staple food of Malaysia and also the economic mainstay of the Malays in Peninsular Malaysia. The paddy (or its equivalent in money) was used by Muslims to pay *zakat al-fitr* (also known as *zakat fitrah*) to the MAIN, with the exception of Kedah. *Zakat fitrah* contributed much *zakat* revenue to the MAIN, particularly before the 1990s. For example, in Kelantan, from 1982 to 1985, *zakat fitrah* contributed 68.5 per cent of the total *zakat* revenue (Table 3.3).

Table 3.3: Statement of revenue generated 1982–1985 (Kelantan)

Type of <i>zakat</i>	1982 (M\$)	1983(M\$)	1984 (M\$)	1985 (M\$)
<i>Fitrah</i>	20,386.87	23,867.45	24,749.74	25,521.04
Savings, Gold, Silver	7,163.61	5,124.72	6,402.46	7,583.95
Business Profit	3,187.36	4,540.75	6,869.08	2,999.90
Livestock	1,350.00	1,325.00	N/A	800.00
Agricultural produce	10,149.00	10,083.00	13,024.00	8,561.00
Total revenue	30,852.83	33,647.00	38,151.52	35,318.50

Source: Data from Nasir (1999).

Paddy planters who have harvested more paddy than the *nisab* are requested to pay *zakat* on paddy. *Zakat* paddy is collected in the category of *zakat pertanian* (*zakat* on agriculture) by every MAIN. Other categories of *zakat* are *zakat perniagaan* (*zakat* on business), *zakat pendapatan* (*zakat* on income), *zakat saham* (*zakat* on shares), *zakat simpanan* (*zakat* on savings), and *zakat emas* (*zakat* on gold). To differentiate these types of *zakat* from *zakat fitrah*, all the states in Peninsular Malaysia have classified them as *zakat harta benda* (*zakat* on wealth or *al-mal*) (Table 3.4).

Table 3.4: Types of *zakat* on wealth

Type of <i>zakat</i>	Description
Business	<i>Zakat</i> on business is 2.5% of the <i>zakatable</i> assets of the business. <i>Zakatable</i> assets are the value of net current assets and short term investment as shown in the balance sheet
Income	<i>Zakat</i> on income is 2.5% of a person's <i>zakatable</i> income (if above the <i>nisab</i>)
Shares	<i>Zakat</i> is levied at 2.5% on the lowest value of the year of shares owned by the payer after deducting debts or loans on the shares
Savings	<i>Zakat</i> is levied at the rate of 2.5% on the lowest balance of a person's savings for the year, if the balance is above the <i>nisab</i> .
Gold	<i>Zakat</i> on gold is 2.5% of the value of gold kept by a person for each year (if above the <i>nisab</i> of 85 grams)

Source: Data from *Zakat Collection Centre of the Federal Territory Islamic Religious Council* (2002, pp. 80–92).

It should be noted that *zakat* on paddy is the only agricultural resource officially collected by the MAIN. Before the mid-1980s, the bulk of the *zakat* on wealth revenue in Kedah, Kelantan and Perlis came from the *zakat* on paddy. In the agricultural sector, paddy farmers are the poorest community, statistics showing that in 1970, about 88 % of these families lived in poverty. However, poverty among paddy farmers fell considerably to 40.2 % in 1987, owing to subsidies provided by the government. Most states, particularly Kedah, Perlis and Perak, still depend on *zakat* on paddy, even though the collections are very low compared with other categories of *zakat al-mal* (Pusat Pungutan *Zakat* Wilayah Persekutuan, 2002, pp. 87-91).

In Kedah, paddy farmers who harvest more paddy than the *nisab* have been obliged to pay *zakat*; those who have failed to do so have been fined up to M\$500.00 (£202.34) or detained for up to 6 months (Ghazali, 1989). The practice of collecting *zakat* on paddy from poor farmers was also contested Ahmad Hidayat Buang (2004). He criticized the *ulama* in Malaysia, who had advised the MAIN to collect agricultural *zakat* only from paddy, not from other agricultural produce. Muhammad (1993, p. 185), asserted that the practice of the Islamic Affairs Council collecting *zakat* on paddy was based on the Shafi'i school. This school defines agricultural *zakat* as a tax on staple foods that can be stored. In commenting upon why agricultural *zakat* is not levied on other farming activities, Muhammad (1993, p. 186)

says that few *muftis* in Malaysia agree with this idea. However, they are not ready to give a *fatwa* (juristic ruling) on this matter because this would create public alarm and confusion. They believe in re-educating and raising the consciousness of the people. When more non-paddy farmers start paying *zakat* for their agricultural produce, then a fatwa should be implemented.

Today, in some states such as Kedah and Selangor, agricultural *zakat* is levied on other agricultural produce, such as rubber, palm oil, cocoa and fruit. The farmers of these agricultural products are required to pay *zakat* only if their activity is run as a business. Thus, rubber planters and palm oil farmers who sell their products have to pay *zakat* at a rate of 2.5 %.

3.3.1.1 Zakat on paddy: the problem of *nisab* and the rate of levy

There are two policies implemented by the MAIN that are considered unjust towards paddy farmers: *nisab* and the rate of *zakat*. Before 1981, the *nisab* of *zakat* on paddy varied from state to state. It ranged from 363 *gantang* in Perak and Selangor to 375 *gantang* in Terengganu and Kelantan, and 480 *gantang* in Kedah.²⁷ These differences exist because the states have the authority to decide on Islamic matters. In 1981, the standardization of the *nisab* was proposed by the *Majlis Fatwa Kebangsaan* (National Fatwa Council). At the meeting of the *Muzakarah Fatwa Kebangsaan* (National Conference on Fatwa), held on 28–29 January 1981, it was proposed that the *nisab* for *zakat* on paddy be set at 363 *gantang* or 922.05 kg . However, until 2005, only Selangor and Johor applied the *nisab* as proposed by the National Fatwa Council. In 2008, the *nisab* is 923.5 kg in Kelantan, 986.7 kg in Perlis, and 1300.49 kg in Kedah. In practice, the fatwa will become law only if endorsed by the state (JAKIM, 2006).

Nisab can be defined as the poverty line used to differentiate between the poor and non-poor. A study by Muhammad in 1984 found that paddy farmers who harvested less than 400 *gantang* or 1016.4 kg still lived in poverty. He stated that the monetary value of 400 *gantang* paddy was about M\$673 (£143.20). However, the national PLI in 1984 was M\$4320 (£881.63) per year. This means that the PLI

²⁷ A *gantang* is Malay measurement, equivalent in volume to 1 gallon and in weight to 5.6 lbs or 2.5401 kg.

applied to paddy farmers was approximately 84.5 % below the national PLI figures (Muhammad, 1993, p. 184).

According to Tarimin (1990, pp. 102-103), the *nisab* of *zakat* on paddy should be increased from 600 to 400 *gantang*, based on the 3:2 ratio of rice husked, as provided by the Ministry of Agriculture. He points out that the husk of certain grains should not be considered when measuring the weight. This method will neither burden the paddy farmers nor disregard the recipients of *zakat*.

The second issue is the rate charged on *zakat* on paddy and the cost of production. Before 2000, the rate for *zakat* on paddy was 10% charged on total gross output. According to Salleh and Ngah (1979, pp. 85-97), this system does not reflect the true economic situation of the producers. The introduction of new technology has increased the maintenance and production costs in paddy farming. Injustice could be avoided if *zakat* were to be collected at a ratio of 10% after the deduction of net profit. This would exclude many poor paddy farmers from paying *zakat*. Salleh and Ngah (1979) say:

When one looks at the percentage of producers that are exempted from paying *zakat* under the existing *zakat* structure, as well as under the proposed 10 per cent *zakat* based on net production, one finds that 40.9 per cent of paddy producers, compared to 17.15 per cent, would be exempted from *zakat* payments under the latter *zakat* structure. In addition, 44.97 per cent of the tenants would fall below *nisab*, compared to only 16.78 per cent under the existing *zakat* structure. Thus, if *zakat* is imposed on net production rather than gross production, it would have a significant effect in alleviating poverty among paddy producers (p.114).

Tarimin (1990) shares the opinion of Salleh and Ngah (1979). However, he asserts that the ratio should be 5% of net production instead of 10% because the paddy farmers are already burdened with taxes charged by the government.

Recently, in 2001, the *Majlis Fatwa Negeri Selangor* (Selangor Fatwa Council) endorsed a *zakat* on paddy rate of 5% charged on total gross output (JAKIM, n.d.). However, in Kelantan and Kedah, the rate of the *zakat* on paddy is still 10% of total gross output (*Jabatan Zakat Kedah*, 2007).

3.3.2 Problems of the *amil zakat* on paddy and *baitulmal*

The agent who collects *zakat* on behalf of the MAIN is the *amil*, who is appointed with prominent figures, such as the *imam*, *bilal*, and JKKK. In Perak, the *amil* is appointed by the MAIN; in Selangor, he is appointed by the Selangor Islamic

Religious Affairs. In Kedah, before 1998, the *Zakat* Committee, a unit under the administration of the *kariah*²⁸ mosque, selects the *amil*. The appointed *amil* is supervised by the *penghulu*, who also acts as the chief *amil* Muhammad, 1993, p. 140; Tarimin, 1990, p. 99).

There are two types of *amil*: the *amil zakat fitrah* and *amil zakat on paddy*. The *amil zakat fitrah* collects the *zakat fitrah* during the month of Ramadan. He receives an allowance of 1/8 of the total collection of *zakat fitrah*. The *amil zakat on paddy* collects *zakat on paddy* from paddy farmers. Before each harvest, the *amil zakat on paddy* takes a census of paddy farmers on their cultivated acreage and expected *zakat*. After the harvest, season, the *amil* collects the *zakat* in either cash or sacks of paddy from the paddy farmer. The *amil* must surrender the *zakat* to the *Majlis* or *zakat* office. Like the *amil zakat fitrah*, the *amil zakat on paddy* receives 1/8 of the total of *zakat on paddy* as his allowance (Tarimin, 1990, p. 99).

Zakat payers, however, have a negative view of the *amil zakat on paddy*. There are at least two areas of discontent: his politics and his ethics. As mentioned in Chapter One, the political situation affects the alleviation of poverty in Malaysia. It is not surprising that *zakat* payers resist handing over their dues because most of the *amils* are government supporters. From the farmers' perspective, the *amil* is a government agent and the DoZK is dominated by the ruling party. Those farmers who resist paying *zakat* include both supporters and opponents of the government. However, in the enforcement of the law, *zakat* payers allied with the Opposition are more likely to be prosecuted than government supporters (Baharum, 1989, p. 42).²⁹

Regarding ethics, the *zakat* payer exists because some *amils* do not pass on a portion of the *zakat* collected to the *baitulmal*. For example, a study by Tarimin (1990, p. 100) found that three *amils zakat on paddy* did not pass on the *zakat* collected to Selangor's *baitulmal*. Another example of *amil* misconduct is fixing deals with the rice miller. In Kedah, the KDoZ allows the *amil* to sell rice to a dealer for cash. If the real value is M\$32.00 (£6.50), for example, the *amil* asks the buyer for a receipt for M\$30.00 (£6.12) and keeps the difference or shares it with the buyer

²⁸ *Kariah* literally means parish.

²⁹ According to Scott (1987), "Villagers allied with the opposition are more fearful that they may be prosecuted for their failure to pay, while the political allies of the *amil* enjoy virtual immunity." See, note 20 and page 437, Scott (1987, pp.417-512).

(Scott, 1987, p. 434). The ethical problems among *amil*s were worse in the days when most state enactments in Peninsular Malaysia, except Melaka, did not lay down the conditions of a good Islamic trust, or the conditions under which to select *amil*s in *zakat* laws (Baharum, 1989, p. 43).

3.3.2.1 Disbursement of *zakat* revenue

At the institutional level, the MAIN very rarely redistributes the *zakat* in the area where it was collected. Although local residents receive *zakat*, the recipients are relatives of the *amil* or *Zakat Officer*. Scott (1987) elaborated on the Kedah paddy farmers' view of the *zakat* office:

The *amil* and *zakat* office(s) in Alor Setar are, from the peasants' perspectives, something of a Bermuda Triangle into which their contribution disappears, never to be seen again (p.28).

The problem of the disbursement of *zakat* is also related to the system of its administration by the MAIN. A study by Ghazali (1989, p. 17-24), found that the administration style of MAIN is one reason why some Muslims never pay *zakat* to the MAIN. The non-payers declare that they are not confident that the Islamic Affairs Council will distribute *zakat* fairly. This situation is due to the lack of staff at the MAIN to administer *zakat*. Furthermore, the existing staff members are not expert in its administration. The MAIN may not be in a position to hire additional staff owing to financial constraints.

3.3.3 Corporate *amil*: centralization and decentralization of the *zakat* administration

3.3.3.1 Establishment of the corporate *amil*

In 1985, two years following the establishment of Bank of Islam Malaysia Berhad – (BIMB), the BIMB paid its *zakat* on business from its business activity for the first time. This prompted most states in Malaysia to focus on collecting *zakat* on wealth, although some states, such as Wilayah Persekutuan and Selangor, had done so earlier (Tarimin, 87). In the following year, confident that *zakat* on wealth would become a main source of income for the MAIN, Anwar Ibrahim, the then Minister of

Agriculture, suggested that no *zakat* on paddy be levied on farmers earning an average of M\$250 per month.³⁰

Towards the end of the 1980s, the amount of *zakat* on wealth collected in Wilayah Persekutuan Kuala Lumpur increased considerably. However, some Muslims were still loath to pay it. *Zakat* can be paid at only a small number of *baitulmal* counters. In addition, the *baitulmal* cashiers are not trained to deal with matters related to *zakat* on wealth. These situations make many *zakat* payers, among them Dato' Abdul Rahim Abu Bakar, formerly the Chief Minister of Pahang, very uncomfortable. In 1989, Dato' Abdul Rahim Abu Bakar submitted draft guidelines on the possibility of administering the collection of *zakat* corporately to Dato' (Tan Sri). Dr Yusoff Noor, a minister in the Prime Minister's Department, was then the Chairman of the Wilayah Persekutuan Islamic Religious Council. The auditors Coopers and Lybrand (now known as Price Waterhouse Coopers) conducted a study of the possible establishment of a corporate entity, the projected or estimated amount of *zakat* to be collected, appropriate organisational structure, and a system that would improve the collection of *zakat*. Price Waterhouse Coopers recommended adopting a corporate method and structure to collect *zakat*, establishing a separate office for *zakat*, and using computer technology in all *zakat* collection transactions (Nasir, 1999, p. 302). The MAIWP consulted the Employees Provident Fund Office and the Inland Revenue Department to compile a complete database of the Muslims in Wilayah Persekutuan who were eligible to pay *zakat*.

In January 1991, MAIWP established a foundation called *Yayasan Taqwa Wilayah Persekutuan Berhad* as an investment. The foundation then created a corporate entity Wilayah Persekutuan Centre of *Zakat* Collection (PPZWP) via the operation of a proxy company called *Harta Suci Sdn Bhd*, which acted as a collection agency for the MAIWP. In its second year of operation, the PPZWP increased collections by 48 per cent to slightly over M\$20 million (£4,081,632.65), compared with over 13 million (£2,653,061.22) in 1991. Dr. Mohd Yusof Mohd Noor states that poor collections before the creation of the PPZWP were due not to the ignorance

³⁰ "Anwar syor perbetul kaedah bayar *zakat* golongan rendah" [Anwar recommended the method of *zakat* payment for low income groups to be re-evaluated], *Utusan Malaysia*, 21 January, 1986.

of the *zakat* payer but to the lack of an infrastructure, inefficient administration, and the lack of a publicity campaign to increase compliance (Nasir, 1999, pp. 303-304).

By 1993, only the MAIWP had established *zakat* collection through its corporate PPZWP. No other states' Islamic Affairs Council had followed its example. This situation was due to the belief of the State Islamic Affairs Council that income from employment was not taxable. To date there has been no clear fatwa on this matter. At the 31st Meeting of *Muzakarah Jawatankuasa Fatwa Kebangsaan* (National Muzakarah Committee Fatwa), held on 9 December 1992, it was stated:

Umat Islam boleh mengeluarkan *zakat* daripada pendapatan gaji dan Jabatan Hasil dalam Negeri hendaklah memberi rebet *zakat* keatas jumlah yang dibayar itu
[Muslims may pay *zakat* *pendapatan* from their employment salary and the Inland Revenue Department should offer a rebate on the total *zakat* paid] (JAKIM, 2006).

In 1994, the *Pulau Pinang* Islamic Religious Council (MAIPP) was the first state to use a corporate collection system known as MAIPP *Zakat* Administration Centre. In the same year, the MAIS established the *Pusat Zakat Selangor* (Selangor Centre of *Zakat* Collection) to collect *zakat* on its behalf. Negeri Sembilan, Pahang, and Melaka soon followed suit.

One reason for the establishment of corporate-style *zakat* collection in those states was the suggestion by Dato' Rahim Bakar, Chairman of PPZWP, that if reforms at the state level were unworkable, the task of collection should be given to a special division within the Inland Revenue Department (IRD). Collections would then be disbursed to states according to an accepted formula (Nasir, 1999, pp. 305-306). In this situation, states fearful of losing *zakat* revenue reacted by establishing an administrative body. Nevertheless, in those states mentioned above, with the exception of Selangor, *zakat* on paddy is not a large portion of *zakat* revenue.

In 1997, the collection of *zakat* on income received a blessing from the *Majlis Fatwa Kebangsaan*. As a result of the meeting held on 22 July 1997, *zakat* on income is now obligatory for Muslims eligible to pay *zakat* (JAKIM, 2006).

In 1996, in its fifth year, *zakat* collection by the PPZWP increased to M\$42.9 million, compared with approximately 20 million in 2001. However, in 1996, the public questioned the disbursement system practised by the MAIWP. As a result, the MAIWP decided to engage a consultant to determine how the system of disbursement should be handled by eight beneficiaries (Nasir, 1999, p. 312).

3.3.4 Poverty alleviation and disbursement of *zakat*

Zakat is used for more than poverty alleviation because it is shared among many beneficiaries. In Selangor, Terengganu, Negeri Sembilan and Wilayah Persekutuan, *zakat* is distributed to all beneficiaries. In other states, *zakat* is distributed to seven beneficiaries, except *ar-riqab* (see Table 3.5). In these states, *ar-riqab* is defined as a slave who has a contract with his master that upon paying an agreed amount, he regains his freedom. In contrast, in the other four states, *ar-riqab* is defined more broadly and is not confined to the slave system. *Zakat* for *ar-riqab* frees a Muslim from physical and mental oppression and humiliation by certain individuals (JWZH, n.d.).

Table 3.5: Total *zakat* distribution to beneficiaries by state.

State/ Beneficiaries	<i>faqir</i>	<i>miskin</i>	<i>amil</i>	<i>muallaf</i>	<i>ar-riqab</i>	<i>al-gharimin</i>	<i>fisabilillah</i>	<i>ibn sabil</i>
Perlis	5.95	18.82	17.42	3.04	0.00	0.00	0.03	5.48
Kedah	4.52	52.30	11.25	2.87	0.00	0.06	27.43	1.56
Pulau Pinang	5.08	34.20	13.63	2.19	0.00	10.56	33.88	0.45
Perak	40.58		16.93	0.62	0.00	2.85	37.66	1.37
Kelantan	48.99		7.76	2.05	0.00	0.12	41.05	0.03
Terengganu	5.06	53.97	5.37	1.73	0.65	0.08	33.13	0.01
Selangor	2.30	30.74	12.86	5.47	0.22	4.10	43.93	0.38
Wilayah Persekutuan	20.17	20.50	27.77	3.19	0.00	0.90	27.21	0.25
Negeri Sembilan	24.28		10.41	8.88	28.96	1.85	24.40	1.23
Melaka	21.04	5.45	18.65	5.43	0.00	0.00	49.40	0.02
Johor	28.6		24.20	9.50	0.00	0.59	36.77	0.28

Source: Federal Territory Zakat Collection Centre (2004, pp. 81–91).

In 2005, the *Seminar Perincian Asnaf Penerima Zakat* (Seminar on the Definition of *Zakat* Recipients), which was attended by more than 90 participants, including representatives from the MAIN's, discussed the definition of each beneficiary. Members of the seminar agreed to broaden the definition of each beneficiary, as well as to retain the beneficiary *ar-riqab* as one of the eight *zakat* recipients.³¹

³¹ Resolusi Seminar Perincian Asnaf Penerima *Zakat*, Hotel M Suites Johor Bahru, Malaysia, 22–24 August 2005.

Among the proposed programmes was one to help Muslims become more engaged in business.

The amount distributed among beneficiaries is not equal. In Wilayah Persekutuan, the *Mesyuarat Jawatankuasa Perundangan Hukum Syara'* (Meeting of Consultancy Committee on Shari'ah Law) agreed to give priority to the *faqir*, *miskin*, and *amils*. The same approach applies in Pulau Pinang, where priority is given to these three, plus the *muallaf* (Jaafar, 2004, p. 141).

One way of increasing the amount of *zakat* for the *faqir* and *miskin* beneficiaries is to combine the balance of *zakat* expenditures from other beneficiaries. A *zakat* surplus occurs if there are fewer applications for *zakat* assistance programmes offered by each beneficiary.

In Kedah, the *Zakat* Committee allows a *zakat* surplus to be transferred to *faqir*, *miskin*, *amil*, and *fisabilillah* (Jabatan *zakat* Kedah, 2003). In Wilayah Persekutuan, as a result of the 43rd Meeting of the Shari'ah Consultancy of Wilayah Persekutuan held on 13 December 1995, the *zakat* surplus could be used for investment (Jaafar, 2004, p. 142).

The above discussion shows that *zakat* distribution in Malaysia covers seven or eight classes of beneficiaries. Usually, *zakat* for poverty alleviation comes from only one-eighth of the total amount. Although there is surplus *zakat* from other beneficiaries, it is used not only for the *faqir* and *miskin*, but also for administration and investment.

3.3.4.1 Poverty alleviation and *zakat*: centralization and decentralization of the *zakat* administration

Latif (2001, pp. 45-50), formally the Director of the PPZWP, asserts that the state cannot play an effective role in using *zakat* for poverty alleviation owing to the small amount of *zakat* allocated for that purpose. The government spends nearly M\$20 billion per year on socio-economic programmes that largely benefit the Muslims. In this case, the main source of revenue for alleviating poverty should come from government expenditures. However, he also suggests that *zakat* can be more effectively managed by a supervisory body at the centre. He agrees with the proposal by the *Lembaga Urusan Zakat Malaysia* or *Zakat* Management Board of Malaysia (LUZAM). The LUZAM manages *zakat* for poverty alleviation amongst

Muslims in co-ordination with state governments, MAINs, and NGOs, such as AIM and the *Yayasan Basmi Kemiskinan* (Poverty Eradication Foundation – YBK) (Nasir, 1999, pp. 334-335).

The establishment of a *zakat* body at the centre, however, is not endorsed by Salleh (2004, pp. 105-111), a *zakat* body at the national level should be established only for emergencies, such as disaster relief (fire, starvation, and disease). He states that there are three reasons why *baitulmal* does not use *zakat* efficiently to alleviate poverty. First, bureaucracy is a problem because the applications for *zakat* assistance are made at the main office, which is usually located in the main city in every district. This is difficult for the applicants living in a remote area to reach. Second, the amount allocated to the poor and the poorest is small. Third, most *zakat* programmes for the poor are based on earning a livelihood, rather than being business-oriented. However, the main problem relates to the first problem. Salleh, proposes that *zakat* should be distributed by a local organization such as the JKKK, *kariah* Committee, *penghulu*, and District Office.

It is very difficult to decide how *zakat* should be administered to alleviate poverty. According to Muhammad (1993, pp. 178-179), localizing the *zakat* to some extent is better because it can be distributed to the poor more effectively. However, two factors should be considered. First, this is practical in areas where the proportions of poor and rich are equal. In regions or districts where the majority of residents live below the poverty line, this is impractical because there less *zakat* is collected. This situation requires that *zakat* be sourced from other places as well. Second, Muhammad (1993) does not like the idea of the JKKK distributing *zakat* to those who are eligible in its area. Although Muhammad (1993) agrees that the JKKK has current socio-economic data on its residents, he prefers that a new committee be established in villages to distribute *zakat*. He says;

If for some reason the JKKK is found unsuitable, the second best alternative would be the formation of a separate Village *Zakat* Committee. The members of this Committee should preferably be elected by the villagers themselves (p.180).

3.3.4.2 The proposal to federalize *zakat* collection

The proposal to maximize *zakat* for the benefit of Muslims after Independence was rejected at the *Kongres Ekonomi Bumiputera Yang Pertama* (First Bumiputra

Economic Congress) in 1965, hosted by the Majlis Amanah Rakyat (Trust Council for Indigenous People – MARA). Realizing the difficulty in administering *zakat*, particularly with a centralized collection, the *Kongres Alim Ulama Yang Pertama* (First Ulama Kongress) was held in 1968 to look into this matter. The main objective was to draw up recommendations for the collection of *zakat* and *fitrah*. The Congress was attended by 500 *ulama*. Seven papers were presented on utilizing *zakat fitrah* and *waqf* to further Malay economic development.³² The Congress provided a framework for the states to increase the *zakat* collected by implementing an extended *zakat* levy on all economic activities. The Congress also helped to standardize *zakat* law among the states and it encouraged the investment of *waqf* and *zakat* for economic profit. However, proposals to use *zakat* to alleviate poverty and to address economic disparities in poorer states were not endorsed owing to disagreement on how to disburse the *zakat* revenue, even though participants agreed to a federalized *Zakat* Fund (Nasir, 1999, pp. 265-268).

However, the riots of 13 May 1969, which happened because of the economic inequality between the Malay and Chinese, created an opportunity for the MARA to utilize *zakat* to eliminate the income gap. In the early 1970s, the late Tun Ghafar bin Baba, also the Chairman of the MARA, urged all State Departments of Religious Affairs to invest substantial portions of *zakat* in *Amanah Saham MARA* (MARA Unit Trust). This *Amanah Saham MARA* was used to buy shares in corporations and companies listed on the stock exchange, as well as private limited companies (Muhammad, 1993, p. 164). In Kedah, for example, the DoZK annually invested around M\$300,000 (61224.50) between 1971 and 1975. However, after 1975, it is unclear whether the KDoZ continued to invest *zakat* in *Amanah Saham MARA*, owing to a lack of information in the *Laporan Zakat*.

³² Among the papers were the following: (1) Menyamakan peraturan memungut *zakat fitrah* di semua negeri-negeri [Standardization of regulations for the collection of *zakat fitrah* in all states]; (2) Penggunaan wang Baitulmal (The use of *baitulmal* money); (3) Mengadakan tabung kumpulan wang *zakat* diperingkat persekutuan (Pusat) dan cara-cara menggunakan wang itu [Establishment of a *zakat* body at federal level and methods of use]; (4) Penggunaan harta *waqf* dan wang *zakat* bagi pembangunan ekonomi orang-orang Islam [The use of *waqf* property and *zakat* money for the economic development of Muslims]; (5) Cukai pendapatan yang dipungut oleh pemerintah tidak boleh melepaskan seseorang itu daripada pembayar *zakat* [Income tax collected by the government is not an excuse for Muslim not to pay *zakat*]; (6) Hukum memindahkan pungutan *zakat* dari satu tempat ketempat lain [Rules for the transfer of *zakat* to other places].

In 1993, the idea of federalized *zakat* management was revisited known as the *Lembaga Urusan Zakat Malaysia* (LUZAM). The LUZAM was proposed during the period when the *zakat* collected increased considerably in all states. Statistics show that *zakat* collection in four states – Kedah, Perak, Negeri Sembilan, and Selangor – increased from M\$15.9 million in 1990 to M\$101.35 million in 2001, or by 537 per cent (Karim, Zaidi, & Wahid, 2002). The Deputy Prime Minister, Datuk Dr. Abdul Hamid Othman, announced that under the proposed LUZAM, a 2.5 per cent *zakat* tax on employment income would generate revenues of at least M\$250 million (Nasir, 1999, p. 323). The suggestion of using *zakat* as another means of alleviating poverty under a centralized system was not surprising and it received a blessing in the 1993 budget presented by Anwar Ibrahim, Minister of Finance.

The proposal of LUZAM, however, was not supported by the State Islamic Affairs Councils'. As mentioned earlier, the federal government has no jurisdiction over religious matters in Peninsular Malaysia except in the Wilayah Persekutuan (Kuala Lumpur, Labuan and Putrajaya), Penang, and Melaka, which do not have hereditary Malay rulers. By 1988, the *Majlis Hal Ehwal Agama Islam Malaysia* (Malaysian Federal Council for Religious Affairs) was formed to establish standards for the administration of religious affairs, though its function was still purely advisory. Before 1993, numerous suggestions from other organizations and federal agencies were rebutted by the State Islamic Affairs Councils' on the grounds that *soal negeri dan pusat tidak perlu campur tangan* (matters involving the states and the Federal administration should not be intermingled) (Nasir, 1999, p. 322). This situation is not the sole reason for the lack of interest in the LUZAM, however. The mechanism of the LUZAM, which concentrated on the collection of *zakat* on income, seemed to threaten the collection by the MAIN. At that time, the *zakat* on income constituted a large proportion of the *zakat* collected.

Although the LUZAM did not earn a blessing from the MAIN, federal government agencies continued to promote the establishment of one *zakat* body at the national level. In 2000, the *Seminar Kaedah Pengagihan Dana Zakat: Satu Perspektif Islam* (Seminar on the Methods of *Zakat* Distribution: An Islamic Perspective) was conducted by the *Institut Kefahaman Islam Malaysia* (Malaysian Institute for Understanding Islam). The seminar resulted in seven resolutions. Two of

the seven resolutions highlighted the need for a *zakat* body at the national level to research the distribution of *zakat*. The second resolution suggested that the *zakat* institution be invited to formulate a government budget and a *Jabatan Hasil Zakat Tahap Nasional* (Department of National *Zakat* Revenue), as described in resolution number seven. The department proposed above would standardize *zakat* collection and disbursement between the State Islamic Affairs Councils' and Inland Revenue (N.N.M. Hassan, 2001a).³³

In 2004, the administration of the new Prime Minister, Dato Seri Abdullah Badawi, announced the establishment of a *Jabatan Zakat Wakaf dan Haji* (Department of *Zakat Wakaf* and *Haj* – JZWH) during the Cabinet reshuffle of March 2004. The JZWH helps the *Majlis Agama Islam Negeri* to monitor and identify the weaknesses of those *Majlis* that compromise *zakat* collection and distribution (Hussin, 2005). In its early years, most states were confused about the function of the new department, considering it a body like the LUZAM. Eventually, the State Islamic Affairs Councils' developed a positive view of the new department, no longer considering it a threat (Che Omar, personal communication, January 24, 2006).

One important programme conducted by the JZWH was the *Persidangan Zakat Asia Tenggara*, held on 13–15 March 2006 (*Zakat Seminar of Southeast Asia*, 2006). This seminar was conducted with the collaboration of the Institut Kajian *Zakat* Malaysia (Malaysian Institute of *Zakat* Study of Malaysia – IKAZ), *Pusat Pungutan Zakat Wilayah Persekutuan*, and four *zakat* authorities from elsewhere in Southeast Asia: *Dompét Duafa*, Indonesia; *Institut Manajemen Zakat*, Indonesia; *Majlis Ugama Islam Brunei*, Brunei; and *Majlis Ugama Islam Singapura*, Singapura. In this three-day seminar, four papers were presented by each country. Two papers presented by Malaysia and Brunei highlighted the importance of having one *zakat* body at the Southeast Asian level.³⁴ This was also pointed out by the Prime Minister

³³ The resolutions can be grouped into four topics: (1) Improvement of *zakat* management system to a professional standard; (2) Definition of each *asnab* in relation to current conditions; (3) Proposed King's Council to standardize fatwa and laws in all states; (4) Proposed Department of National *Zakat* Revenue to look into matters related to the problem of distribution. In reference to the last topic, the function of this body is to prepare policies, regulations, and laws to improve *zakat* distribution.

³⁴ The papers presented were as follows: (1) *Kebijakan dasar zakat: Prospek Keseragaman Praktis di Asia Tenggara* [Good *zakat* policy: Prospect of standardization of its practice in South East Asia], by Bapak Baftuh Basyuni, Minister of Religion Republic of Indonesia; (2) *Potensi manfaat Dana Zakat untuk Kepentingan Muslim Asia Tenggara* [The potential of *zakat* proceeds for the benefit

during his speech at the opening ceremony (*Zakat Kukuhkan Nusantara* [*Zakat strengthens Nusantara*], 2006, March 19, *Utusan Malaysia*, p. 14). At the end of the seminar, Mohd Zakri Hussin, Director of JZWH, announced an agreement to establish the *Dewan Zakat Asia Tenggara* (Southeast Asian *Zakat* Organization) (Tubuh Segera Dewan *Zakat* [Urge establishment of *zakat* body], 2006, March 16, *Utusan Malaysia*, p. 9). However, as pointed out by Metussin Baki, the High *Syariah* Court Judge of Brunei, an *ijtihad* (interpretation and reasoning based on the sacred texts) from the *ulama* would be required to allow the transfer of *zakat* to other places (Buat *ijtihad zakat* diagih tempat lain [Make *ijtihad* for transferring *zakat* to other regions], 2006, May 14, *Utusan Malaysia*, p. 5). In Malaysia, the issue depends not only on a fatwa but also on the approval by the ruler of each state.

3.4 Conclusion

This chapter has highlighted the basic concept of *zakat*, including the administration of *zakat* and its beneficiaries. Furthermore, in order to discuss this concept in detailed, *zakat* in Peninsular Malaysia and its relation to the Malaysia Rural Development need to be emphasized. The efforts of the federal government to use *zakat* for poverty alleviation at the national level will not achieve the desired result if each state's ruler is not allowed to transfer *zakat* proceeds to the central body. The case study of this research is Kedah Department of *Zakat*. Thus, the case study background, its organization and its bureaucracy will be explained in the next chapter.

of South East Asia's Muslims), by Hj Metussin bin Hj. Baki, High *Syariah* Court Judge of Brunei; (3) Penerapan Budaya Moden dalam Pengurusan *Zakat* di Asia Tenggara [Adaptation of modern culture in Managing *Zakat* in South East Asia], by Shamsiah bt. Abdul Karim, Head of *Zakat* and *Wakaf* Strategy Unit, Majlis Ugama Islam Singapura; (4) Sinergi *Zakat* di Asia Tenggara Pada Era Globalisasi [Synergy of *Zakat* in South East Asia during the era of globalization], by Mahmood Zuhdi bin Abdul Majid, Malaysia.

Chapter Four

The Kedah Department of *Zakat*:

background, organization and bureaucracy

4.0 Introduction

If one is interested in researching *zakat* in Malaysia, Kedah is one of the best places to conduct a case study. It offers the opportunity to examine all aspects of the collection and distribution of *zakat* and the problems caused by bureaucracy. The recent attention of the Malaysian government to *zakat* collection suggests that it can be used as a resource for poverty alleviation at the national level. However, as explained in Chapter Three, this idea is still in negotiation between the state and federal levels because the administration of *zakat* falls under state authority. In other words, transferring *zakat* collection to a central body cannot be done if there is no co-operation between the states and the federal agencies. At the state level, *zakat* is administered by the MAIN, with the notable exception of Kedah, which is managed by a special body known as the KDoZ. The KDoZ is one of the states that apparently will not accept the idea of transferring *zakat* collection to a central body.

The purpose of this chapter is to describe the administration of *zakat* in Kedah before examining in detail the issues and problems arising from the use of *zakat* for alleviating poverty. This chapter discusses the background and organizational structure of the KDoZ as well as issues related to the collection and distribution of *zakat*.

4.1 The geographical setting and socio-economics of Kedah

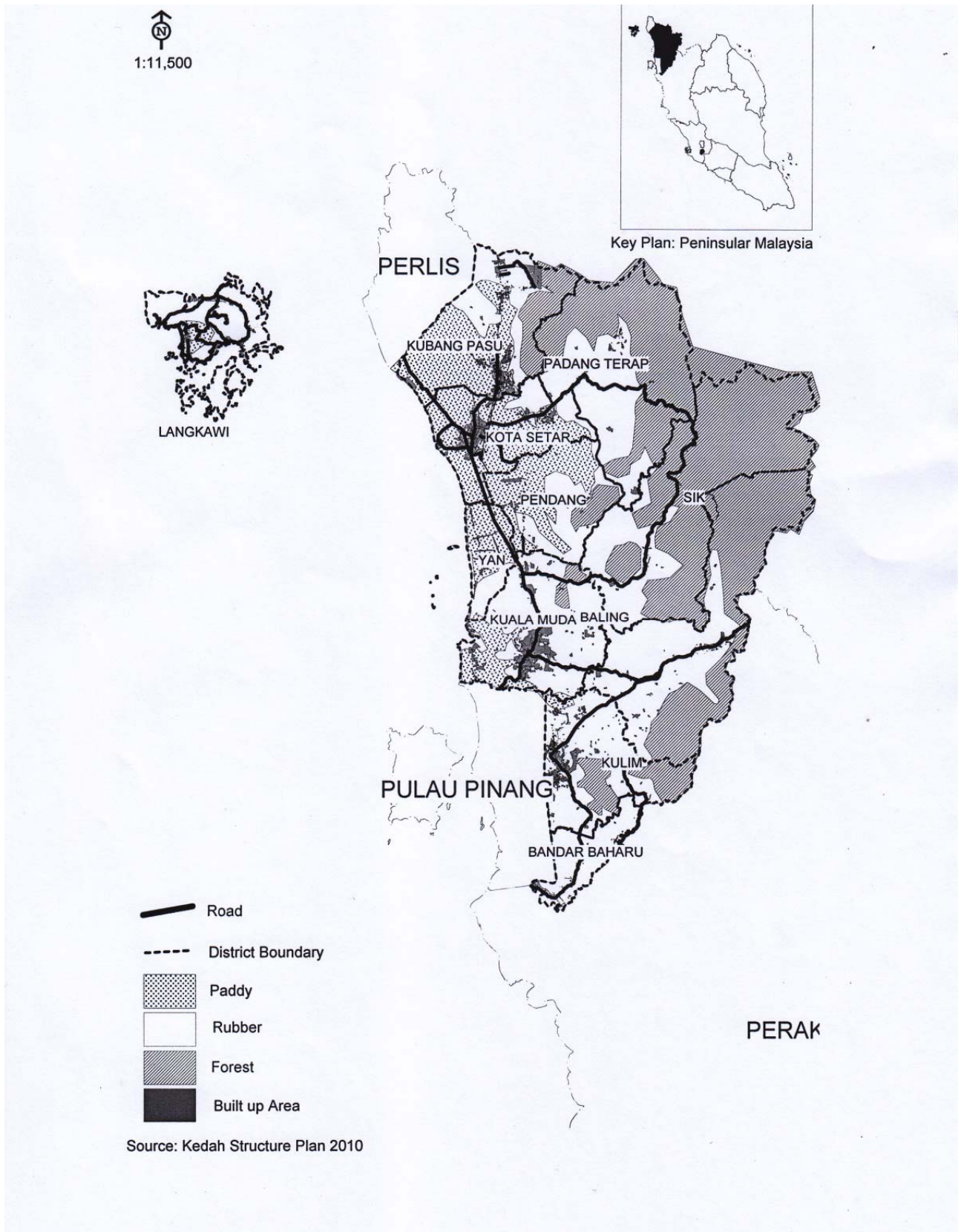
The state of Kedah is situated at the northern end of Peninsular Malaysia and is bordered by Perlis in the northeast, Seberang Prai (Penang) in the south, and the Strait of Melaka in the west. This state also shares an international boundary with Thailand to the northeast. Kedah is approximately 9,426 square km, which about 3.5 % of the total area of Malaysia. It consists of eleven districts: Kota Setar, Kuala Muda, Kubang Pasu, Kulim, Baling, Yan, Sik, Pendang, Padang Terap, Bandar Baharu, and Langkawi (Map 4.1).

In the seventeenth century, the political boundary of Kedah was beyond that which exists today. The state stretched from Trang (now in southern Thailand – longitude 7°37' north) in the north down to Krian (now a part of Perak District – longitude 5°18' north) in the south, which is a distance of about 240 km.

In 1786, the Kedah government allowed the British to administer Pulau Penang, on condition that they paid M\$6,000 (£1224.49) to M\$8,000 (£1632.65) annually to Kedah. In 1821, Kedah became part of Siam and the Siamese divided Kedah into four territories: Setul, Perlis, Kubang Pasu and Kedah itself. Later, although Kubang Pasu was restored to Kedah, the position of Perlis, Sentul and Krian continued to be territorially problematic. The problem of Perlis and Sentul was solved by the Anglo-Siamese treaty in 1909, in which Sentul was recognized as Siamese territory and Perlis became a state under British rule independent of Kedah. The conflict over the Krian issue between the governments of Kedah and Perak was settled only in the first decade of the 20th century. That finally confirmed the political map of Kedah (Augustine, 1996, pp. 107-109).

Alor Setar is the capital city of Kedah; it was established in 1735 and is situated approximately 450 km from Kuala Lumpur, the capital of Malaysia. It can be easily accessed by road from Kuala Lumpur via the *Lebuh Raya Utara-Selatan* or the North–South Highway. The Highway begins at Bukit Kayu Hitam to the north of Kedah and stretches southwards to Johor Bahru City in the southern part of Peninsular Malaysia. It is about 880 km long and passes through the outskirts of all the capital cities of the states located in the western part of Malaysia. Alor Setar can also be accessed by aeroplane, the service being provided by the Malaysia Airline System (MAS) and Air Asia. The journey takes approximately one hour from the Kuala Lumpur International Airport to the Sultan Abdul Halim Airport of Kedah.

Map 4.1: Kedah and Districts



The Wisma Darul Aman Building of Alor Setar is the focal point of Kedah's administration. It houses the office of the head of state, His Highness Sultan Abdul Halim Mu'adzam Shah, the office of the Chief Minister of Kedah, and the offices of the Kedah State Executive Councillors (EXCO). This building also houses various state government agencies: the Office of the State Secretary, the State Economic Planning Unit and the Treasury Department. Some of the state government agencies, such as the Department of Public Works and the Department of Town and Country Planning of Kedah, are located in Bangunan Sultan Abdul Halim (Sultan Abdul Halim Building), which is approximately 3 km to the south. Approximately 4 km southeast of Wisma Darul Aman is the *Menara Zakat* or the headquarter office of Kedah Department of *Zakat*. The *Menara Zakat* is an eleven-storey building owned by the KDoZ. Construction was begun in 1986 and completed three years later. On the third floor of the *Menara Zakat* is situated the head office of the KDoZ, which is the centre of *zakat* administration for the state of Kedah. Since the KDoZ does not occupy the whole building, some of the office space on the first and second floors is rented to the Department of Inland Revenue (Kedah Branch) and the Department of the Environment (Kedah Branch).

Kedah is among the seven states in Malaysia classified as a less-developed state, or, in other words, a poor state. The other six states are Kelantan, Pahang, Perlis, Sabah, Sarawak and Terengganu (Hassan, 2004).³⁵ However, in terms of economic progress, since 1995, Kedah's GDP is about 4.8 %, which is the fourth highest among the states in Malaysia. The top three are developed states, namely, Selangor (5.6 %), Penang (5.4 %) and Johor (5.2 %) (Md Nor, Latifa Bibi, & Zainuddin, 2003). The good achievement in economic growth is due to progress in industrial and manufacturing activities, particularly from 1990. The progress of these

³⁵ Since 1981, the GDP was used to compare development between states. According to this measurement, Malaysia has been divided into three categories based on the level of GDP per capita. There are two high-income states: Federal Territory of Kuala Lumpur and Selangor. There are eight middle-income states: Johor, Melaka, Negeri Sembilan, Pahang, Perak, Pulau Penang, Sabah and Sarawak. Finally, there are four low-income states: Kedah, Perlis, Kelantan and Terengganu. However, since 2001, the government realized that growth is a part of development and growth of the GDP is not the only objective of development. Development is more concerned not only with changes in the GDP but also its relationship with development values. The composite development index comprises ten indicators: GDP per capita, unemployment rate, urbanization rate, registration of cars and motorcycles per 1,000 of population, poverty rate, percentage of the population provided with piped water, percentage of population provided with electricity, infant mortality rate, and the number of doctors per 10,000 of population.

sectors began in the mid-1980s, when, in 1985, the Penang Bridge was completed, thus facilitating movement between the mainland and the island. The local and foreign investors started to operate outside the island and moved to new areas, particularly around Seberang Perai, Sungai Petani, Kulim, and Bandar Baharu (Salleh, Zainol, & Aziz, 2003, pp. 125-133).

Even though the industrial and business sectors were the main contributors to Kedah's economic development, the agricultural sector also contributed up to 18 % of Kedah's income in 2002 (Othman & Kari, 2003, pp. 313-325). In land usage, rubber production and paddy occupy 80 % of the agricultural land area. Other agricultural land usage includes palm oil, mixed farming, coconut farms, and orchards. Rubber production occupies the biggest land usage, which is about 265,363 hectares or about 52 % of agricultural land use (Kedah State Economic Planning Unit, 2001, p. 40).

In 2000, the population of Kedah was 1.57 million, of which the Kota Setar district recorded the highest population of 339,900. Malays comprise the majority of the population in Kedah (75.4 %), followed by Chinese (14.6 %), Indians (7 %), and others making up the remaining 3%. The Chinese dominate economic activities, particularly trade, wholesale and business. Accordingly, the Chinese community can be found in the main cities such as Alor Setar, Sungai Petani and Kulim. Other ethnic groups are engaged in less advanced sectors, particularly agriculture.

Malays are engaged in two main agricultural sectors: paddy and rubber. The paddy area is the main land used in Kubang Pasu, Kota Setar, Pendang and Yan. These districts are suitable for paddy farming because most of the area is flat. Paddy farming in this area is administered by the Muda Agricultural Development (MADA).

MADA is a regional development agency that helps the paddy farmers in the low-lying plain of the Muda and Pedu rivers. The Muda irrigation scheme was planned by consultants employed by the Central Government from 1961 to 1964 to increase rice production with an efficient irrigation system. The implementation of their recommendations was funded by the World Bank in 1960, which covered about 60 % of the estimated cost of M\$228 million (£58,775,510.20). At that time, it was equivalent to about US\$76 million. The area covers the northwest portion of Kedah

from Jerai Mount in the south to part of Perlis. The total area is 126,155 hectares, of which 105,851 hectares are in Kedah (Lembaga Kemajuan Pertanian MUDA [MADA], 2004). The purpose of MADA is to provide sufficient infrastructure and amenities for double cropping. In 2004, there were about 242,500 people in this area, of whom more than 90 % were Malay (MADA, 2004, pp. 4-6)

The east side of Kedah is a hilly area that is more suitable for rubber plantations. This is evident from the fact that six out of ten FELDA settlements in Kedah are located in these districts. The area planted with rubber under the FELDA scheme is about 12,625 hectares or 5% of the total rubber area in Kedah. There are about 3,184 participants in the FELDA scheme and most of them are Malay (Hassan, Mamat, Karim, & Ali, 1999, p. 10).

Currently in Kedah, there are 63,888 hectares of rubber area owned by 24,256 rubber smallholders. About 87 % are Malays, whose average age is 51 years. On the other hand, the average age of the paddy planters is much higher at 60 years (Hassan, et al., 1999, pp. 391- 403; Ayob & Mohamed, 2003, pp. 391-403).

As we can see, rubber became the Malays' main source of livelihood in Kedah. The development of the rubber sector as well as paddy in this district was influenced by the administration policy of promoting this activity in the early 1900s. In Kedah, it began in 1905. European planters found the topography in Kedah to be the same as in Perak and Selangor, which were among the earliest states in Peninsular Malaysia to be planted with rubber trees. In 1908, four rubber estates were established in Kubang Pasu, which were owned by the Royal Family, Malay bureaucrats and European planters (Augustine, 1996, p. 126; Ahmat, 1984, pp. 24-41).³⁶

The rubber sector was given more attention by the British when Kedah came under their administration in 1909. However, priority was given to European and Chinese planters, who monopolized this sector. In Kuala Muda, about 14235.222 of the hectares that were planted with rubber were owned by European and Chinese

³⁶ Tunku Ibrahim (910.54 hectares), Mr C.L. Rode (244.03 hectares), Mr Ibrahim (202.34 hectares), and Syarikat Getah Kedah (1709.39 hectares). This pattern shows that the wealth of the state was still under the control of the state at the beginning of the 20th century. The European planters had the opportunity to plant rubber owing to the Kedah government's good relationship with the British. In 1905, the Kedah government allowed the employment of British officers in government agencies.

investors; the seven Chinese investors owned 72 % or 10,240.57 hectares of rubber plantation. In the district of Kulim, about 12,042.23 hectares were planted with rubber and were owned by five investors, four of whom were Chinese with 72 % or 8,651.37 hectares. In Bandar Baharu, 2,303.07 hectares of rubber plantation were owned by three investors, of whom one was Chinese. In addition, the farms planted with tuber, coconut and black pepper were replaced with rubber trees. Most of these farms were owned by the Chinese, the land having been granted to them by the Kedah government in the late nineteenth century. In 1914, about 23471.767 hectares of farmland, most of it in Kuala Muda and Kulim, were replanted with rubber (Augustine, 1996, pp. 126-127).³⁷

Chapter Three has described how the British introduced various acts, regulations and policies to discourage Malay participation in the rubber sector. At the same time, they also introduced a new policy that burdened paddy farmers, such as the tax on paddy land (Cheah, 1988, p. 34). It is interesting to know how the Malay farmers in Kedah responded to these situations.

The history of Malay farmers in Kedah shows that when they were being oppressed by the government, the best course of action was flight. As Gullick (1985) concludes in his study of pre-colonial Malaysian states, flight was the farmer's most common reaction to oppression (Gullick, 1985, p. 43). Paddy farmers migrated to areas where there was less oppression, such as inland or the islands, or they moved to other states.

Before the British administration, particularly in the late nineteenth century, paddy farmers migrated from paddy areas to escape from the *krah* system that was introduced by the state's ruler. Under this system, paddy farmers had to work without payment in any public works requested by the ruler. During that time, paddy farmers were more likely to relocate to paddy areas in other states, particularly Pulau Pinang dan Perak, which was under British administration (Ahmat, 1979, p. 32).

The flight of the paddy farmers continued in Kedah during the period of British administration. Those who were interested in planting rubber trees relocated

³⁷ The pattern of rubber estate ownership has had a strong influence on the construction industry in Negeri Kedah. Most of the rubber estate land owned by the Chinese is situated in strategic areas close to towns, cities and industrial sites in Seberang Perai. Today, most of these estates have their land use changed from rubber to housing and commerce. Indirectly, the Chinese have monopolized the construction sector in Kedah.

to areas far from the centres of British administration. In Kedah, their destinations included district of Padang Terap, Sik and Baling. During that time, the paddy farmers built settlements well away from the main road to hide their economic activity from British officials. Around the settlements, they planted paddy and rubber trees (Ho, 1970, p. 83). Paddy was planted for family consumption and any surplus would be sold. However, they depended heavily on rubber as the main source of income.

The Malay farmers' action shows that the development of Malay rubber smallholdings in Kedah was influenced by the British policy before Independence. Paddy farmers who wished to plant rubber trees headed for the remote areas in eastern Kedah. These areas were considered the "lawless zone", where the farmers could establish rubber plantations unobserved (Banks, 1983, p. 30).

4.2 Poverty amongst paddy farmers and rubber small holdings

The agricultural sector in Kedah has contributed significantly to the state economic growth. Almost 50 % of the population is involved in agricultural activities, and agricultural production has become their main source of income.

However, lower incomes and a higher poverty rate, especially in the rural areas, stand out as the main problems in the agricultural sector in Kedah. In 1997, there were 35,170 households living in poverty, of which 29,440 were considered 'poor' and 6,730 the 'poorest'. The majority of these poor lived in rural areas, comprising about 29,470 households. Of those, 23,900 were poor and 5,570 were the poorest (Kedah State Economic Planning Unit, 2001).

The capability of the households to have good standards of living in terms of food and basic needs with respect to clothing, housing, consumer durable goods, and transport services is at a minimum level. Besides, their level of income was insufficient for them ever to improve their standard of living. While the nation experiences great economic growth from rubber export activities, the working environment, as well as the labourers' living conditions, is still below the standards required by the labour regulations. According to the Pulau Pinang Association of Consumers (CAP), more than 68% of labourers in Malaysia are in debt. Even though the industry has not faced any losses in the past 50 years and many of the big

companies are actually making great profits, unfortunately, the labours are still trapped in poverty (Persatuan Pengguna Pulau Pinang [CAP], n.d). CAP (n.d) stressed that, in reality, the labourers could not even afford to have savings from their income. Their financial condition restrained them from owning land, a house, or any property.

Officially, anyone who owns less than 41 hectares of rubber plantation is defined as a 'smallholder', the term 'estate' being used to refer to a rubber plantation of no less than 40.47 hectares (100 acres) under a single legal ownership. The smallholders and estates differ not only in size but also in almost every other respect, including technology, management, marketing, and economic organization (Mehmet, 1986).

Regarding the relationship between rubber activity and income, there is no doubt that the technology used is among the factors contributing to the income level. However, the area of land is a more important factor, particularly for rubber smallholders. In 1977, the RISDA, which is the agency responsible for helping rubber smallholders, defined the poorest among them as those households owning less than 0.4 hectares and having only one agricultural occupation (Mehmet, 1986).

However, in 1995, the definition increased the level to 1.03 hectares (M.Y. Kassim, 1995). In Kedah, the average size is 2.36 hectares. However, because of inter-ethnic variation, Malays have the smallest average holding, approximately 1.52 hectares, compared with the Chinese average of 3.23 hectares. Although the statistics show the average Malay holding to be above the 1.03 hectares definition of poverty, in reality, about 38 % or 14,780 of the 38,449 rubber plots are less than one hectare, and most of those are owned by Malays (RISDA, 2006).

In the 1960s, rubber was not a profitable activity owing to the decrease in rubber prices. The invention of synthetic rubber in the 1950s had affected the world rubber prices, which fell further in the 1970s. In Malaysia, the international spot-market price of Rubber Smoked Sheet No.1 (SS No.1) dropped by nearly M\$2.00 from over M\$2.80 in January 1974, to M\$0.97 on 20 November 1974. For example, in Alor Setar in Kedah, licensed rubber-dealers were paying less than M\$0.60 per kilogram in November 1974, compared with M\$1.60 paid in late 1973 and early 1974 (Stubbs, 1983; Mehmet, 1986).

The ineffective government programmes to help the rubber smallholders during the early 1970s forced many of them to show their frustration with the government by organizing a demonstration. The demonstrators asserted that three rubber tappers had died in the district of Baling in Kedah because of the government's failure to help them. Of the 30,000 demonstrators assembled in Baling town, most were smallholders from Kedah and northern Perak. The news then reached the students at the University of Malaya and the National University of Malaysia in Kuala Lumpur. On 3 December 1974, large numbers of student demonstrators assembled in Padang Merdeka, many of whom were the sons and daughters of farmers (Stubbs, 1983). It should be noted that the majority of the rubber smallholders were government supporters, but the government quickly helped the rubber smallholders with the improvement of programmes conducted by the RISDA. The RISDA promoted the following new programmes:

1. It provided new rubber seeds to shorten the tapping period from seven to five and half years.
2. It provided credit and advice facilities to rubber smallholders to create a subsidiary income during the period of replanting.
3. It provided new technology for the tapping system.
4. It encouraged rubber smallholders to form co-operatives.

However, these programmes were not a satisfactory. For example, according to RISDA, only 9.5 % of rubber smallholders who joined the replanting scheme managed to shorten the tapping period to five and half years (Malaysia Kementerian Pembangunan Luar Bandar, 2002,).

On the other hand, the poverty level among paddy farmers in Malaysia continues to increase even though large subsidies were given by the government. The main reason that contributes to poverty is believed to be the uneconomical size of the paddy field area. The Consumer Association Penang (CAP) reported that in 1985, about 78 % of paddy field areas are less than 2.03 ha. This is the minimum size required to improve the farmers' standard of living above the poverty line.

According to Othman (2003, pp. 20-45), several factors contribute to poverty in Malaysia. Among these reasons are the agricultural production systems (mainly in paddy and rubber) that are affected by the uneconomical size of the area, aging and

unproductive rubber trees, poor marketing plan strategies, soil infertility, crop diseases, and pests. More to the point, the labour factor and a high amount of capital overwhelmed the profits of agricultural production.

Further, as affirmed by Othman (2003), neglected agricultural lands are common among the Malay farmers. In the rubber plantation sector, the existence of neglected estates are mainly due to low land productivity, aging labourers, steep land areas, and decreasing prices (Samsudin, 1984). Whereas in the paddy sector, the main factors that contribute to the neglected paddy field are the small areas of paddy farm, aging farmers, higher income from the non-agricultural sector, infertile land, and increasing production cost (Othman, 1990).

Malaysia Ministry of Rural Development (2002, pp. 133-135) claimed that poverty among paddy farmers in Malaysia is due to their production level, which is far less as compared to other agricultural activities. To make matters worst, poverty is also a result of the uneconomic size of land resulting from the traditional practice of land division among Malay. As a result, the number of poor continues to increase as time goes on.

Another reason for poverty is the decreasing production in paddy farming. Although a variety of paddy seeds and fertilizers have been used to increase the production level since 1960, the production of all kinds of paddy seeds is limited to 3 tons for every hectare. In the case of the Kuala Muda district, in 1984, 50 % of its population lived in poverty with a per capita income of M\$40 per month, despite the fact that the country's main source of rice came from this area. Raziah et al.(2005) believed that the effort of gaining the optimum production of paddy farming is influenced by several factors: 1) pests and diseases of the rice production, as well as climate change, 2) less land is used for paddy farming; 3) uneconomical size of paddy farms.

In conclusion, even though Kedah is well known for its paddy farming activities, compared to other states in Malaysia the agricultural sector is not capable of developing economically and improving the living standards of its population. As a result, the farmers and rubber tappers in Kedah live in poverty.

4.3 Early administration of *zakat*

4.3.1 Administration of *zakat* before the British Period

The state of Kedah is among the earliest Malay states in Peninsular Malaysia, together with Melaka and Terengganu, to implement Islamic teachings in the community. The question of whether any of these three states had paid *zakat* to the state in the early days of their administration is still unanswerable. Inscribed stone of Terengganu, dated 1303 AC at the Kuala Berang Terengganu, contains ten laws.³⁸ However, it is not known whether any of these regulations concerning religious taxes were imposed, because the first three laws are missing and the subsequent sections do not address taxation (Nasir, 1999, p. 175). The practice of the ruler collecting *zakat* by enforcing the regulations appeared only in the sixteenth century, when it had already been implemented by the states of Pahang and Kedah. In Pahang, Sultan Mahyudin Shah demanded the collection of *zakat* between 1592 and 1614 and imposed a penalty on those who failed to do so.

In the state of Kedah, the requirement for the public to pay *zakat* to the state ruler was included in the Kedah Law of 1667, Chapter 3, subsection 3 of the “Tembara Dato’ Seri Paduka Tuan” (1667). This law declared that the state had the power to take action against any farmer who was reluctant to pay *Zakat*:

Barang siapa membuat bendang atau huma maka hendaklah kerasi suruh keluaran *Zakat* seperti benar-benar *nisabnya* yang diperoleinya itu, suruh keluaran sepuluh emas *Zakatnya* itu. Apabila tiada mahu mereka itu seperti hisab itu, maka hendaklah kweng kerasi keluaran *Zakat* menurut seperti hukum Allah Taala.
[Any person who works in a paddy field or engages in a *ladang* cultivation is required to pay 10 % *Zakat* on his/her gross harvest. If the person disagrees with the assessment and refuses to pay his/her tax liability, the *kweng* (village headman/*penghulu*) must enforce the collection according to Islamic law] (Winstedt, 1948, p.28).

During this time, the Kedah’s *penghulu* (headman) was responsible for observing Islamic conduct, that is, preventing acts regarded as sinful against Allah, like robbery, gambling, the worshipping of trees and rocks, cockfighting, smuggling and drunkenness. Apart from his religious duties, he also had to maintain law and order, regulate the trading activities of his *mukim* (sub-district), and exercise control over

³⁸ Inscribed stone of Terengganu is the earliest evidence of Jawi writing in Muslim world of Southeast Asia. The Stone contains testimony of the growing of Islamic culture and the life of the people in the era.

the planting of paddy. The question was whether the paddy farmers paid two types of taxes, namely, *zakat* and the taxes levied on the poor under the *Hak Raja* (king ownership) system. Under the *Hak Raja* system, the paddy farmers have to pay 10% of the paddy produce to the king because here land is considered to belong to him. Maxwell argue that the 10% tax levied on farmers is part of Malay culture and is not related to any Islamic law (Maxwell, 1984, p. 77). According to Salleh Buang, the *Hak Raja* system is one of the Islamic land law systems known as *ushr* (1995, pp. 26-42). The *ushr* land is divided into four categories: (1) land whose residents became Muslim while they were living on it; (2) land that had been acquired by force of arms; (3) all ancient lands that had no owner or cultivator; and (4), all barren lands that a Muslim individual undertakes to regenerate with irrigation and cultivation. These are lands that Sunnah has declared subject to a 10 % agricultural *zakat* or *ushr* (or one-half of *ushr*) when the amount of their produce reaches five or more *awsuq* (Abu 'Ubayd, 2003).

4.2.2 Committee of *zakat* and gift by the Muslims of Kedah

4.2.2.1 The cry of the poor and the collection of *zakat* by the State

The proper institution for managing *zakat* in Kedah was established only in 1936 by an organization known as the *Perhimpunan Zakat dan Sedekah Orang-Orang Islam Kedah* or the Committee of *Zakat* and Gift by the Muslims of Kedah. There is no doubt that its establishment was influenced by the state of Kelantan, whose ruler was the first in Malaysia to take over the administration of *zakat* in 1915 under the management of the *Majlis Ugama dan Istiadat Melayu Kelantan* (MAIMK). Kelantan then became the role model for other states in Malaysia (Roff, 1974, p. 101).

The two states of Kedah and Kelantan are similar because the majority of their populations are Malay and their engagement in paddy is their main economic activity. However, the strong connection between the two states was the relationship between Tuan Wan Sulaiman bin Wan Sidek, the *Syeikhul Islam* or *Mufti* of Kedah, and Haji Muhammad Yusuf bin Ahmad, better known as To' Kenali. The two were

friends, since both had studied in Mecca (Yusuf, 1991).³⁹ To' Kenali played an important role in proposing the MAIMK, in which he was a great supporter of Dato' Setia Haji Muhammad bin To' Khatib Haji Mohd. He was said to be the man who took the proposal to the Sultan for the creation of that council. He was appointed one of members of the MAIMK in the early stages of its establishment. Since they knew each other and had good positions at state level concerning Islamic matters, the management of *zakat* by the *Sultan* of Kedah could be influenced by the experience of Kelantan.

Tuan Syeikhul Islam Wan Sulaiman bin Wan Sidek was the third and the last *Mufti* in Kedah under the institution of *Sheikhul Islam* before this system was restructured and renamed the Committee of Islamic Scholars. He played an important role in the establishment of the *zakat* institution in Kedah by advising the then Sultan of Kedah, Tunku Rajen al-Marhum Tuanku Mahmud Ibni al-Marhum Sultan Ahmad Tajuddin, to collect *zakat* as practised by the Prophet and the caliphs. His Highness Tuanku Mahmud accepted this idea and appointed three *kadis* (Muslim judges) to formulate a *zakat* law that allowed *zakat* to be collected by the state ruler.

Wan Sulaiman made every effort to establish the institution of *zakat* because he had been receiving complaints from the poor who had not been given *zakat* by the other paddy farmers (Ghazali Yaacob, personal communication, February 24, 2009). From 1929 to 1932, the economy of Kedah was not stable owing to a recession. This of course had negative effects on the poor as well as the paddy farmers. The latter earned only a minimal income owing to the fall in the price of rice to one cent for one *gantang*. The Malay rubber tappers were similarly affected, even though the Malays' participation in this sector was minimal at 0.04 % (Umar, 1992, p. 23).

At the same time, particularly during the early twentieth century, paddy farmers paid their *zakat* to the *tok guru* (master) of the *Pondok School* (Ghazali Yaacob, personal communication, January 24, 2006).⁴⁰ The word *pondok* is derived

³⁹ His full name is Haji Wan Sulaiman bin Wan Sidik bin Wan Aman bin Wan Su (birth 1921h – 1874). He studied at Mecca from 1887 to 1906. Among his friends at Mecca was Tok Kenali or Haji Yusuf Awang. After finishing his studies, he was appointed *Kadi* of Kedah in 1910 and then *Syeikhul Islam* until 1935. He produced more than 20 books covering many topics. Among his important books are *Ayyuhal-Ikhwān* and *Tanwirul basirah*.

⁴⁰ Dato' Ghazali strongly emphasized that the factor which brought about the establishment of KDoZ is related to the practice of paddy farmers to pay their *zakat* on paddy to the *tok guru* *pondok*. This was also mentioned by the Secretary of the KDoZ to lecturers and students of the

from the Arabic term *funduq*, which means temporary residence. In Malay, *pondok* refers to a hut occupied by 2 to 3 students and is situated by the *tok guru*'s house. The subjects taught included *Tawhid*, *Tafsir al-Quran*, *Hadith*, *Usul al-Fiqh*, *Tasawwuf*, and Arabic grammar (Roff, 2004). The *pondok* school in Kedah was rapidly established during the late nineteenth century, particularly after the completion of the Wan Mohamad Saman Canal. This system was popularized by paddy farmers from Kelantan and Patani, who came to Kedah to work in the paddy fields or open new paddy areas. They built houses around the *tok guru*'s house. During the day, *tok guru* teaches Islam to the paddy farmers' sons and wives, and at night, it is the farmers' turn for instruction. Since the teaching is not paid, farmers support the *tok guru* by giving *zakat* on paddy, which they need to pay after every harvest if their output reaches a *nisab* of about 480 *gantang* (Omar, 1986, p. 42).

On 19 Jamadul Akhir 1355 AH (September 6, 1936), a notice known as *I'lan An-Nasihah Khusuz Az Zakat*, or the Notice of Information and Advice on *Zakat*, was circulated to the public to inform them of matters related to *zakat* regulations. This notice requested that the public be made aware of this information to prevent any problems from arising. This regulation was known as *Perhimpunan Rial Zakat dan Sedekah Orang-orang Islam Negeri Kedah dan Ditafsirkan Bagaimana yang Hendak di Kutip dan Dibelanjakan Rial-Rial itu* (Association of *Zakat* Funds and Alms Given by the Muslims of Kedah: Their Collection and Distribution). Under this regulation, the institution responsible for administering *zakat* was known as *Perhimpunan Zakat dan Sedekah Orang-Orang Islam Kedah*, a body administered by a committee known as the *Komiti Agung* (Central Committee), which consists of seven members, with the Crown Prince (*raja muda*) Kedah as the Chairman.⁴¹

University of Science, Malaysia during their visit to the KDoZ on 20 March 2006. According to him, the practice of giving *zakat* to the *tok guru pondok* is not parallel with the concept of *zakat* because *zakat* is distributed to eight *asnafs*. That was why the KDoZ was established to collect *zakat* on paddy and distribute it to the *asnafs*.

⁴¹ The contents discussed at least five main points: (1) the administration of *Zakat* would be put under the responsibility of a committee known as *Perhimpunan* (Association); (2) the *amil* must prepare a list of the people in his area who are liable to pay *Zakat*; (3) the method of *Zakat* collection by committee; (4) the method of *Zakat* payment by the public; and (5), the type of expenditure allowed from *Zakat*. See, *Perhimpunan Rial Zakat dan Sedekah Orang-orang Islam Negeri Kedah dan Ditafsirkan Bagaimana yang Hendak di Kutip dan Dibelanjakan Rial-Rial itu*.

4.4 Kedah Department of *Zakat* (1955): Establishment, administration and organization

4.4.1 The *Zakat* Committee

On 11 June 1955, the *Zakat* Enactment was passed at a meeting of the Council of State. On 9 July 1955 (20 Dzul Kaedah 1374AH), 17 years after the *I'lan An-Nasihah Khusuz Az Zakat* or Notice of Information and Advice on *Zakat* was circulated to the public, the Sultan Badlishah Ibi al-Marhum Sultan Abdul Halim Shah approved the implementation of the *zakat* law, known as the *Zakat* Enactment of Kedah 1374 (1955). There is little information about why the state of Kedah took a long time to accept the *Zakat* Enactment. At least, the letter sent to Kedah State Secretary (Tunku Ahmad Tajuddin, 1953). Harbour Master of Kedah, which expressed his dissatisfaction with the administration of an existing *zakat* committee, shows that the ineffectiveness of the Central Committee in managing *zakat* was what led to the establishment of that Enactment. Tunku Ahmad Tajuddin, who was a member of that committee, found that some of the members were not serious and honest about their responsibilities.⁴²

The Central Committee was dominated by non-*alim* members. It consisted of eight members and was chaired by the Crown Prince. The members were Malay officers from the Department of Agriculture and *Syarikat Koperasi Melayu* (Malay Co-operation Company) and an individual appointed by the Sultan. Of the members, only *syekhul Islam* was a representative from an Islamic institution. Even though the administration of *zakat* at the district level included a *kadi* as a member, he could not attend meetings conducted by the Central Committee. At the district level, mismanagement had hampered the administration of *zakat*, such as the loss of record books and receipts. There was also an incident in which the quantity of paddy sold was less than the quantity received by the *zakat* payer. In addition, at the Central Committee level there was a lack of a close relationship with the grass-roots level (Tunku Ahmad Tajuddin to Kedah State Secretary, 9 February 1953).

In the new *Zakat* Act, Subsection 1, Section 3 of the enactment stated that a committee known as the *Zakat* Committee (*Jawatankuasa Zakat*), consisting of a

⁴² Tunku Ahmad Tajuddin to Kedah State Secretary, 9 February 1953. National Archive Branch in Kedah.

chairman, a secretary, a treasurer, and no fewer than eight other members, was to be established, of which half of the members were to be Muslims versed in *zakat* law. The duty of the *Zakat* Committee was to collect and distribute *Zakat* on behalf of the Sultan.

Under the new act, there were some efforts to strengthen the management of *zakat* in Kedah. These included bringing charges against members who were misusing *zakat*, and requiring the approval to use *zakat* to be confirmed by two officers: the Chairman and the Secretary. However, the main reform was that the number of *ulama* (Islamic scholars) in managing the *zakat* became a majority. As shown by the data, in 1957 at least 13 of the 18 members of the *Zakat* Committee were *ulama*. Today, even though the act has been amended six times,⁴³ the proportion of *ulama* on the committee has not been affected.

4.4.2 The organization: Current Situation

4.4.2.1 Policymaking

The *Zakat* Committee is headed by a chairman appointed by His Highness the Sultan (see Figure 3.1). Since its early establishment, the State Secretary has become the Chairman of the KDoZ. The State Secretary is the most senior position in the Kedah Civil Service, the head of which is His Highness the Sultan. The State Secretary is responsible for implementing the policies formulated by the state government.⁴⁴ In 2004, the *Zakat* Committee consisted of 21 members and was divided into six sub-committees as follows: Work, including *Siasah Syariah/Information/Faqir; Miskin*, Information and Research; Administration and the Treasury; Establishment; and

⁴³ The first amendment (enactment no. 3/1956) and third (enactment no. 7/1975) touched more on technical aspects. They entailed changes of non-Malay words to Malay, such as *komiti* to *jawatankuasa* and *rial* to *wang*. The second amendment (enactment no. 13/1961) required people to pay all of their 8/8 *Zakat* to the KDoZ rather than 4/8 or half as practised before. The fourth amendment was to increase the fines imposed on those who did not pay *zakat*, from M\$100.00 (£20.40) or six months in gaol to M\$3,000.00 (£612.24) or three years in gaol. The 5th Amendment gave the KDoZ the opportunity to participate in the construction of Menara *Zakat*. The sixth amendment enabled the improvement of the KDoZ's administration.

⁴⁴ The Civil Service in Malaysia can be divided into seven public services: a federal public service and six state public services (Kedah, Kelantan, Terengganu, Johor, Sabah and Sarawak). In Kedah, the Kedah Civil Servants are close to His Highness Tuanku. Currently, there are about 132 Kedah Civil Servants in Kedah, most of whom are employed by the state agencies, such as the District Office, Land Office, and Economic Planning Unit. The most senior Civil Servant in the Kedah Civil Service is the State Secretary.

Building Maintenance.⁴⁵ The *ulama* were given responsibility for becoming members of and heading the Sub-Committee of *Siasah Syariah/Information/Faqir, Miskin* as well as Information and Research. The Sub-Committee of *Siasah Syariah* is responsible for matters related to *Zakat* law as well as *faqir* and *miskin*, while the Sub-Committee of Information and Research is responsible for the publication of information.

The committee members not concerned with *zakat* law matters are those who are familiar with state agency administration, such as District Officers. The Sub-Committee of Building Maintenance is responsible for the properties of the KDoZ, particularly *Menara Zakat*, while the Sub-Committee of Administration and the Treasury is responsible for the administration of items such as taxes and *zakat* collection.

As we can see, the *Zakat* Committee members are individuals who are well known as well as holding senior positions in state agencies. Their main role is to focus on formulating and endorsing policies. To implement the policies, the *Zakat* Committee is allowed to employ staff for the administration of *zakat*.⁴⁶

4.4.2.2 The staff

The head of the KDoZ staff is the Secretary of the *Zakat* Committee, who is supported by the Assistant Secretary of the KDoZ. The KDoZ staff is distributed over six departments: Operation, Information, Technical Maintenance, Information Technology, Treasurer, and Administration. The Operation unit focuses on the strategies to expand *zakat* collection. This unit is supported by the Information Department, which encourages people to pay *zakat* by organizing briefing sessions for the public and private sectors, distributing pamphlets and so on. This unit also

⁴⁵ Of the 21 members, 12 are considered well-versed in Islamic teachings. Five are appointed according to their position in Islamic institutions: the Chief of the State Islamic Court, the Secretary of the *Majlis Agama Islam Kedah* (Council of Islamic Religious of Kedah, Religious District Officer of Kota Setar (the Religious District Officer was previously known as the *kadi*), Religious District Officer of Kubang Pasu, and the Secretary of the KDoZ. Seven are appointed according to their status as individuals versed in Islamic teachings.

Of the non-*ulama* members, five are District Officers (Districts of Kota Setar, Kuala Muda, Kubang Pasu, Yan and Pendang); the Secretary to His Highness, two individuals, and finally, the State Secretary.

⁴⁶ The committee may appoint such officers and employ such persons and take such other steps as they think necessary and expedient for properly carrying out their duties. See, *Zakat Enactment of Kedah*, s.8.

looks after matters relating to the interests of *faqir* and *miskin* such as introducing appropriate programmes. The Information Technology group is a supporting unit to improve *zakat* collection with a computerized system.

In order to look after the KDoZ's properties such as *Menara Zakat* Building, paddy fields and commercial lots, the Treasurer's unit is responsible for administering tax and rent collection and related matters. The staffs also provide a *zakat* collection service at KDoZ's office as well as temporary payment counters opened at strategic locations. The physical aspects such as building maintenance are the responsibility of the Technical Maintenance unit. The Public Administration unit deals with the clerical side, such as salaries, establishment and so on. All these six units operate in the *Menara Zakat*.

The KDoZ has also established branches in every district. Each branch is headed by the District *Zakat* Officer, who is assisted by a small staff. The main duty of KDoZ's branches are to supervise and facilitate the payment by the *amil zakat* on paddy and *harta* of their collected *zakat*. The *amil zakat al-mal* institution was established in early 1992 to collect all types of *zakat*, except *zakat* on paddy, from the Muslims in his district. The *amil zakat al-mal* is not paid a salary but is entitled to receive one-twelfth (1/12) of the total *zakat* collected (Ridhuan Ahmad, personal communication, January 5, 2006). The KDoZ also provides facilities for the local people to pay or to ask for further information about *zakat*. Another duty of the KDoZ branch is to investigate and distribute *zakat* assistance to *faqir* and *miskin*.

The combination of the *Zakat* Committee and the staff is known as the *Jabatan Zakat Kedah*. The expenditure of the KDoZ's operation, such as salary, administration and management, comes from the *asnaf amil's* portion.

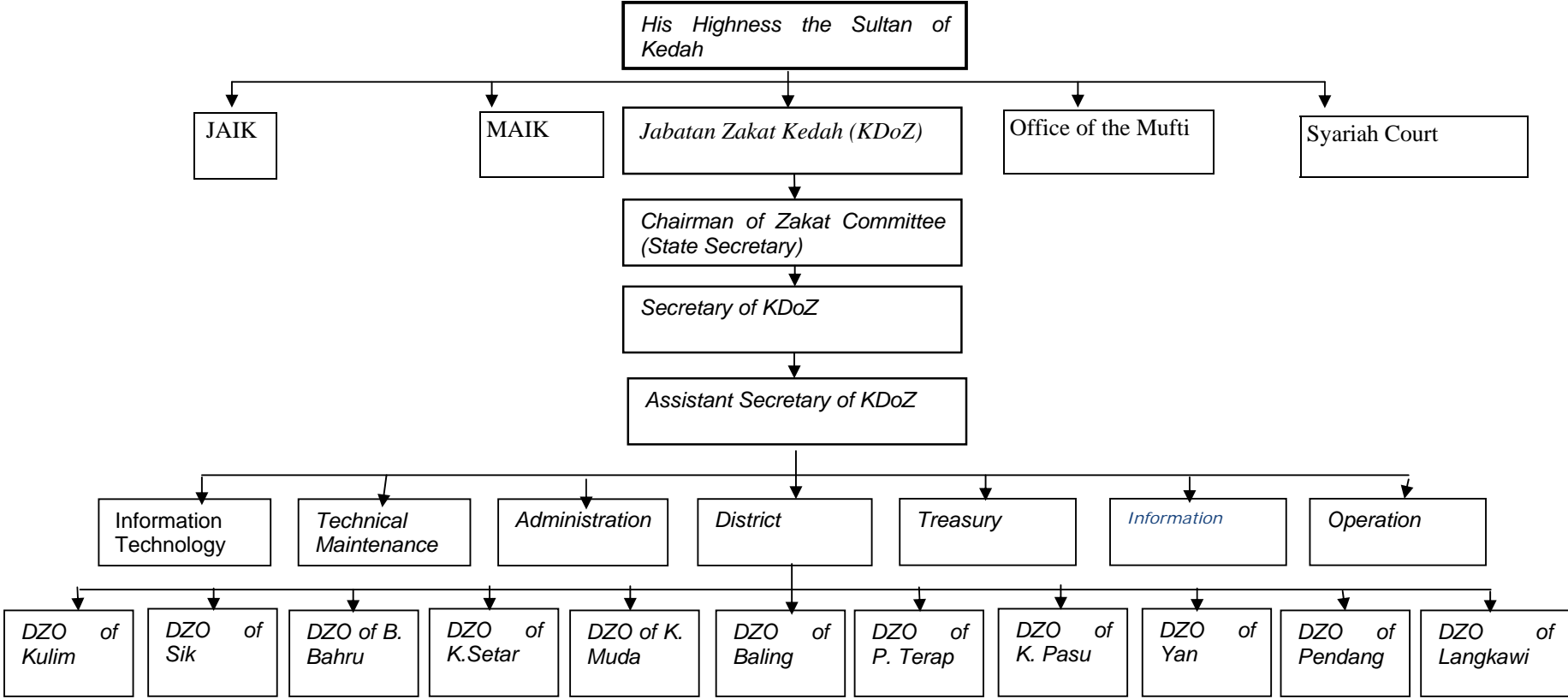
4.4.4 The Kedah Department of *Zakat* vs. other states' *baitulmal*

The administration of *zakat* in Kedah is different from that in many other states in Peninsular Malaysia. In the other states, *zakat* is administered by the *baitulmal*, which is a unit of the MAIN. The head of the MAIN is His Highness the Sultan. His Highness the Sultan is supreme and acts in accordance with the advice of members of the State Islamic Affairs Council. The members of the State Islamic Affairs Council consist of *ulama* and non-*ulama* and are headed by a Chairman or *yang dipertua*.

In the states of Melaka, Terengganu and Perlis, the Chief Minister becomes the Chairman or head of State Islamic Affairs Council (see Figure 4.2 for State Islamic Affairs Council of Melaka). In the states of Selangor, Johor and Negeri Sembilan, the Chairman is selected by His Highness the Sultan according to the recommendation of the Chief Minister. For example, in Johor the current Chairman of State Islamic Affairs Council is from the State Executive Council (EXCO) (see Figure 4.3 for State Islamic Affairs Council of Johor). In the states of Perak and Pahang, the Crown Prince becomes the Chairman of the members of State Islamic Affairs Council (see Figure 4.4 for State Islamic Affairs Council of Perak).

The KDoZ was not a unit under the State Islamic Affairs Council of Kedah or the Kedah Islamic Affairs Department. The KDoZ is one of five religious institutions, the others being the *Jabatan Mufti* (Department of the Mufti), the *Mahkamah Syariah* (Shariah Court), the State Islamic Affairs Council of Kedah and the Kedah Islamic Affairs Department headed by His Highness (see Figure 4.1).

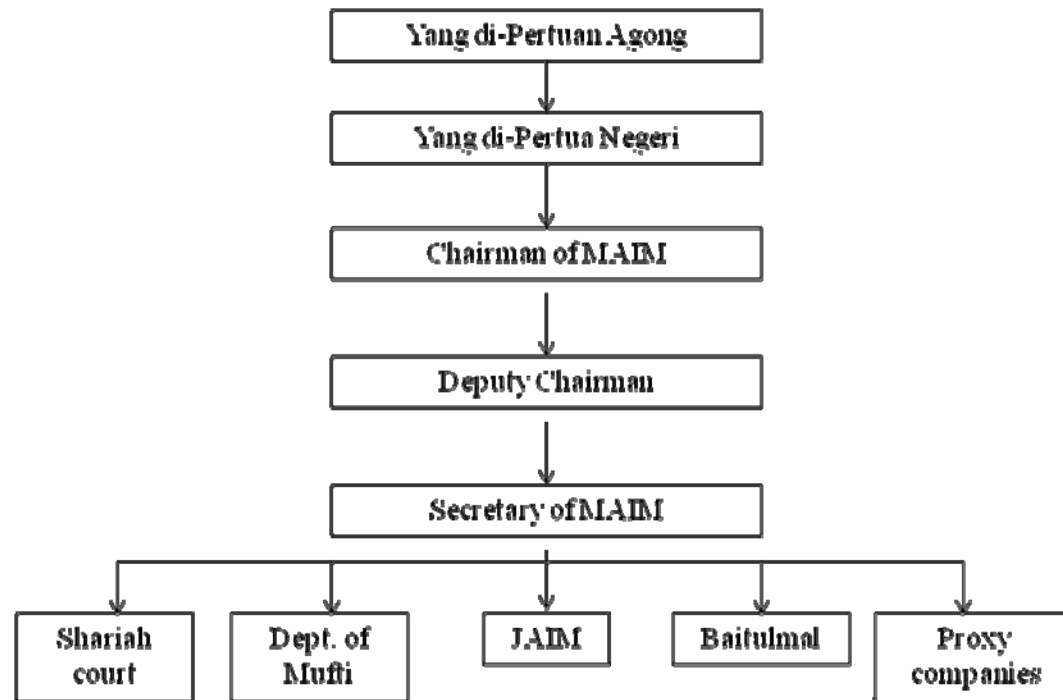
Figure 4.1: Organizational structure of Kedah Department of Zakat



Note: DZO – District Zakat Officer

Source: Data from Jabatan Zakat Kedah (2005)

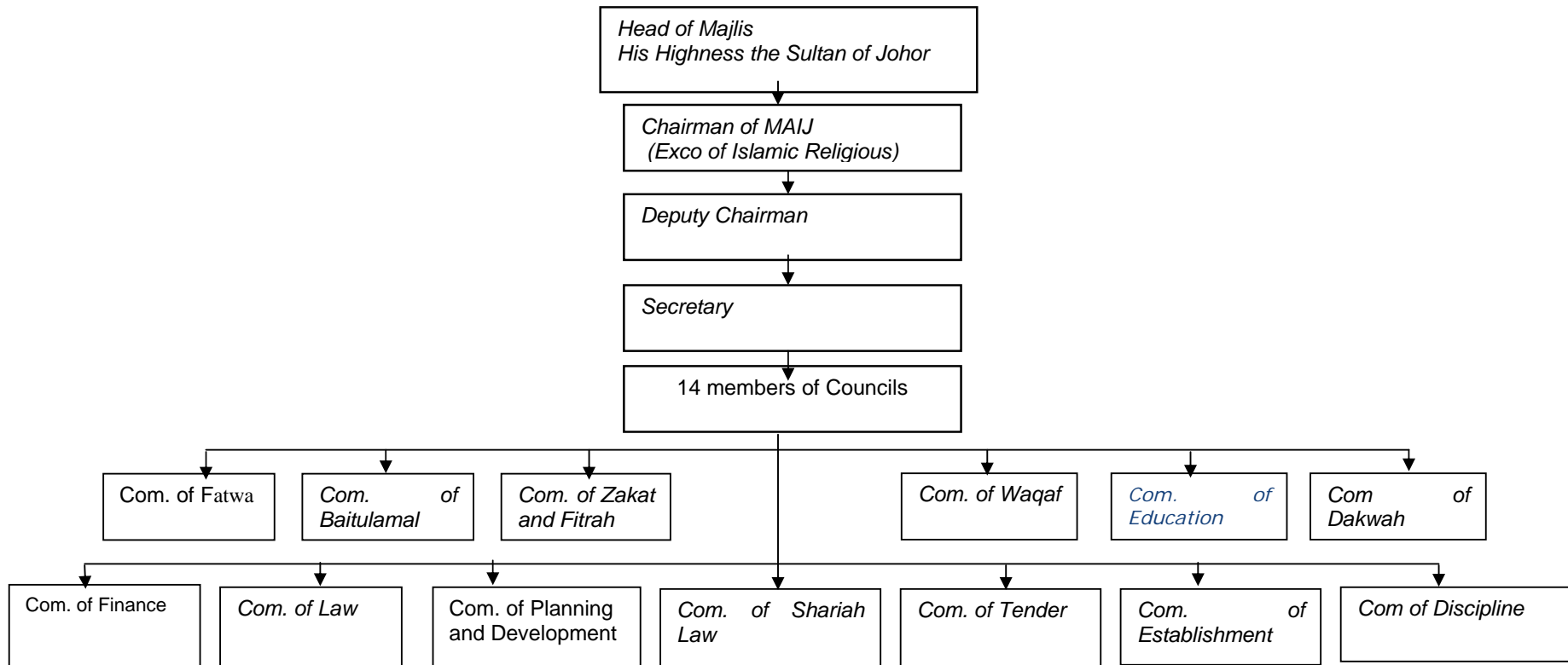
Figure 4.2: Organizational structure of the Melaka Islamic Religious Council



Note: JAIM – Jabatan Islam Melaka (Melaka Islamic Affairs Department)

Source: Data from Majlis Agama Islam Melaka, “Latarbelakang”, <http://www.maim.gov.my/fungsi.htm>

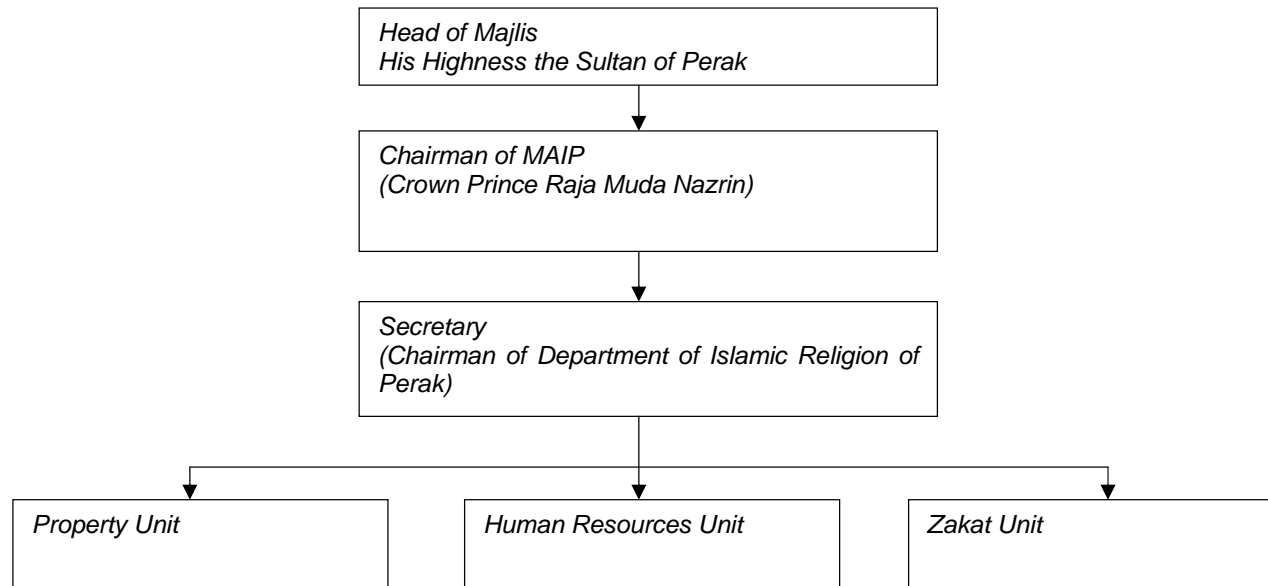
Figure 4.3: Organizational Structure of the Johor Islamic Religious Council



Note: Com. – Committee

Source: Data from Majlis Agama Islam Negeri Johor, "Profil", <http://www.maij.gov.my/utama.htm>

Figure 4.4: Organizational Structure of the the Perak Islamic Religious Council



Source: Data from Majlis Agama Islam dan Adat Melayu Perak, “Carta Organisasi”, <http://www.maiamp.gov.my/index.html>

4.5 Zakat collection in Kedah

To date, the sources of *zakat* collection are of three types: *zakat* on paddy, *zakat fitrah* and *zakat al-mal*. The *zakat* on paddy is paid by the paddy planters at the rate of 10 % of their paddy produce if it exceeds the *nisab* of 1,300 kg. Since most paddy planters practise double cropping, they have to pay *zakat* twice a year if the produce of each paddy harvest exceeds the above *nisab*.⁴⁷ The paddy farmers have to pay via an appointed *amil*, of whom there is only one for every settlement producing paddy.

The *zakat fitrah* is paid by every individual Muslim during the month of Ramadan in the Islamic calendar. The amount of *zakat* is based on the price of one *gantang* of rice. In contrast with the *zakat* on paddy, there is no *amil* to collect the *zakat fitrah*. Currently, Muslims pay the *zakat fitrah* at the KDoZ office or at the payment counters opened by the KDoZ at shopping complexes, government offices and so on.

The *zakat al-mal* is collected from salaries and allowances, savings, trade, shares and gold. The *nisab* for the *zakat al-mal* is 85 grams of gold, which means that those who earn an income exceeding the value of gold are encouraged to pay *zakat* to the KDoZ.⁴⁸ In 2004, a large proportion of the *zakat al-mal* collected came from the salaries and allowances paid to Muslims working in the public and private sectors. These employees paid *zakat* if their total annual income exceeded a value of 85 grams of gold or M\$3,060.00 (£624.50).⁴⁹ Collections from trading activity came

⁴⁷ Most paddy planters in the MUDA area harvest paddy twice a year. The first harvest is between March and June and the second between October and December.

⁴⁸ In 2005, the monetary value of 85 grams of gold was M\$3,060.00 (£624.50).

⁴⁹ *Nisab* for the *zakat* on income is M\$3,060.00 (£624.50), and Muslims have to pay 2.5 % of their total income. There are two methods for calculating *zakat*, gross income and net income, and Muslims may choose either of these. Examples of calculation are below:

a) 2.5 % of gross income:

Example: M\$1,500.00/month x 12 months x 2.5 %

Total *zakat payable* = M\$450.00 (£91.84) per year or M\$37.50 (£7.65) per month

b) 2.5 % from net income after deducting the living expenses of family members. The amount allowed for deduction is based on the following:

i)	Self	:M\$8,000.00/year (£1632.65)
ii)	Wife	:M\$3,000.00/year (£ 612.24)
iii)	Children (each – M\$800.00)	:M\$ 800.00/year (£ 163.27)

Example: M\$ 1,500/month x 12 month = M\$ 18,000.00 (£3673.47)

: M\$ 18,000.00 – living expenses (M\$ 11,800.00) =M\$ 6,200.00/year (£1265.31)

Total *zakat payable* = M\$6,200.00 x 2.5 % = M\$155.00 (£31.63) per year or M\$12.91 (£2.63) per month.

in second largest,⁵⁰ followed by savings. Other collections came from Muslims who paid *zakat* on shares, savings and gold.

There are three methods of collecting *zakat al-mal*.

1. The *zakat* payer may pay the *zakat* at the head office or branch of KDoZ located in the main city in every district.
2. Public and private sector employees can pay their *zakat pendapatan* (*zakat* on income) by a monthly deduction from their salaries. Under this system, *zakat* is automatically taken from their accounts, so that the payers do not have to go to any KDoZ.
3. Muslims may pay *zakat* via the *amil zakat al-mal* appointed by the KDoZ.

All the proceeds from the *zakat* collected by the branches are required to be handed over to the head office, where they are recorded according to the payer's address. In current practice, *zakat* has to be deposited with Bank Islam on the same day as or the day after collection.

In 2005, the total *zakat* collected was approximately M\$40 million (£8,163,265.31). However, according to Dato' Ghazali, the amount was small because some potential payers, particularly paddy farmers, did not pay *zakat* to the KDoZ. Consequently, according to him, the KDoZ was not able to alleviate poverty to the same extent as other agencies because the *zakat* proceeds were so low. The following section discusses development as well as the factors affecting *zakat* collection.

⁵⁰ Examples of calculation as below:

Stocks	M\$3,500.00
Money	M\$ 500,00
Savings	M\$1,000.00
Debt to be repaid	M\$1,500.00
Investment	M\$2,000.00
Total	M\$8,500.00
Total <i>Zakat</i> paid:	M\$8,500 x 2.5% = M\$ 212.50 (£43.37)

Business activity refers not only to retail, construction, consultancy and services but also to agriculture (except paddy activity). However, one is exempted from paying the *zakat* where, for example, fruit is planted for purposes other than trading. Farmers who raise livestock such as cattle and buffaloes are also required to pay the *zakat* on trade if their purpose is for business, even though they do not reach the *nisab*. However, if their purpose for raising livestock is other than business, then they have to pay a *zakat* as outlined by Islamic law. Encik Ridhuan, discussion.

4.5.1 *Zakat* on paddy and visible assets

According to the Enactment *Zakat* of Kedah, the term *zakat* is defined as a gift required to be made by a Muslim in accordance with Islamic law. This definition shows that the term *zakat*, according to the KDoZ, is a levy on all properties as outlined by Islamic teachings.

Between 1955 and 1964, the *zakat* proceeds came only from the collection of *zakat* on paddy . In 1962, the public began to ask why the Enactment was not also enforced on the rich, particularly Muslim business people. The public also asked why *zakat* was not collected from farmers who earned their income not only by selling fruit such as mangosteen but also from rubber (*Jabatan Zakat Kedah*, 1963, pp. 4-5).⁵¹ The KDoZ, in the speech of His Highness, explained to the public that it could not collect *zakat* on trade and income because the Enactment applied only to *zakat* on paddy . Furthermore, *zakat al-mal* was classified as *zakat batin* (hidden asset), in which case the ruler has no authority to collect it. However, Muslims were encouraged to pay on their own initiative, similar to their practice of paying *zakat fitrah*. Hidden assets are those that can be easily concealed by the owner, whereas visible assets are those that are on public view and can easily be counted by people other than the owner. With regard to *zakat* on income earned by selling fruit and rubber, the KDoZ, based on the opinion of the MAIK, explained to the public that one was not required to pay *zakat* on these incomes (*Jabatan Zakat Kedah*, 1963, p. 5).

This situation led to pressure from paddy farmers, who were not happy with the new amended enactment requiring them to pay the whole of the *zakat* on paddy . Before 1961, the KDoZ collected only half of the *zakat* paid by the *zakat* payers, while the balance was allowed to be distributed by the payers themselves. In 1961, this enactment was amended to allow the KDoZ to collect the whole of the *zakat* proceeds instead of half as formerly (*Jabatan Zakat Kedah*, 1962).

To reduce the pressure from the paddy farmers, in 1963, the KDoZ, in His Highness' acknowledgement speech in *Penyata Zakat Tahun 1962* (Annually Financial Report, 1962), explained that the reasons for collecting the whole of the *zakat*

⁵¹ Speech of His Highness Sultan Abdul Halim Muadzam Shah in officiating ceremony of Kuar Mosque, Kota Setar.

were as follows: to use it to improve the condition the *sekolah agama rakyat* (SAR) (people's religious school, previously known as *pondok*); to help the poor and the needy; to provide Islamic religious teaching in rural areas; to upgrade mosques and *surau* (small mosques), as well as to provide scholarships for students to study at al-Azhar (Jabatan *Zakat* Kedah, 1964, p. 2).

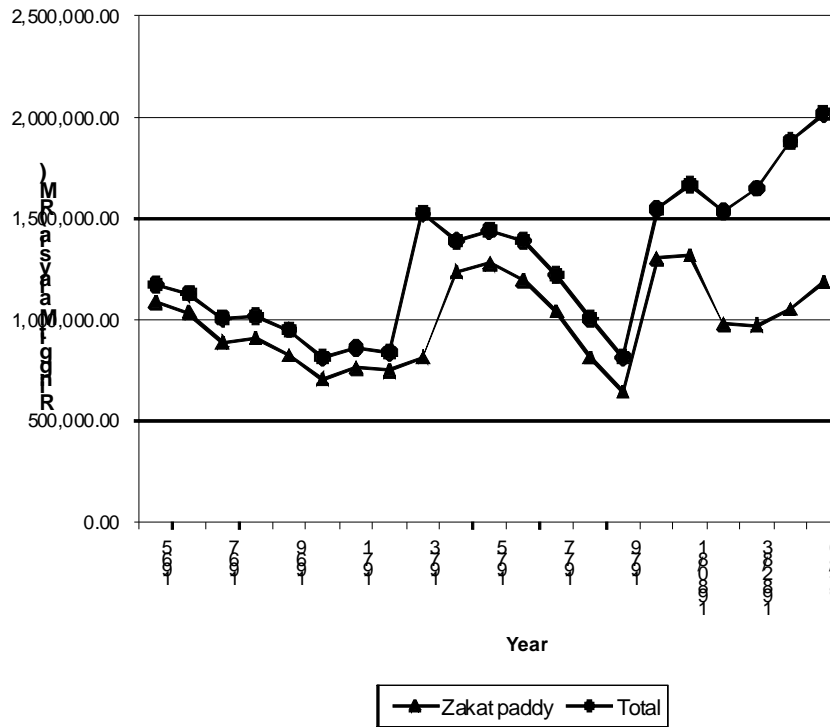
Another situation that possibly led to the introduction of the amendment was the operational cost of the KDoZ's administration. In the same speech mentioned above, His Highness referred to the KDoZ as a separate entity from the State Islamic Affairs Council of Kedah, in which the KDoZ was directly controlled by His Highness (Jabatan *Zakat* Kedah, 1964, p. 2). In other states, the operational cost of the State Islamic Affairs Council came from state funding and *zakat*. However, since the KDoZ was not under the State Islamic Affairs Council, the operational cost depended on the portion from the beneficiary of *amil* (Jabatan *Zakat* Kedah, 1962, p. 17).⁵²

4.5.1.1 *Zakat* paddy: Contribution and controversial

In 1962, a year after the amended enactment was enforced, the collection of *zakat* considerably increased. In 1963, the *zakat* collected increased by 281 % and it remained stable at M\$ 1 to 2 million (£ 204,081.63 to £ 408,163.27) between 1964 and 1970, compared with its previous level of only M\$600,000–800,000 or £122,448.98 – 163,265.31 (see Chart 4.5). After 1974, the *zakat* on paddy collected was more than M\$ 1 million. As discussed in Chapter Three, researchers criticize the practice of *zakat* on paddy collection because, from their perspective, there have been cases of injustice. Economists and legislators assert that the injustice has occurred because the paddy came from the poor sector, and the farmers were forced to pay *zakat*. However, the rich from the non-poor sector were not forced to do so. They were also burdened with a 10 % *nisab* levied on the produce from their paddy instead of 5 %. To some extent, the assertions were justifiable because *paddy* activity was considered to belong to the poor sector during the 1960s and 1970s, and has remained so until today.

⁵² In 1961, about M\$ 92,604.91 (£18,898.96) of KDoZ's debt from the government of Kedah was repaid. However, there is no information provided for KDoZ's request for money from the state government.

Figure 4.5: *Zakat Paddy Collection 1965–1986*



Source: Various Laporan Zakat Kedah

4.5.1.1.1 *Zakat Paddy Cum Zakat Upah*

Although poor *paddy* farmers do not pay their *zakat* on *paddy* to the KDoZ, they insist that they have paid *zakat* under the *zakat upah* system (Tahir, Sanusi, & Azizan, 2003, p. 299). *Zakat upah* refers to the wages paid to workers who help the farmers in planting *paddy*. In this situation, the money paid to the workers will be taken into consideration in the *zakat* levy of 10 %. From the perspective of *zakat* law, *zakat upah* does not exist in the Islamic Shari‘ah: in other words, the *zakat upah* is classified as *upah* (wages) but not *zakat* (Hasbullah A. Halim, personal communication, February 18, 2006). The *zakat upah* is practised not only by poor

paddy farmers but also by those who have planted more than the above area (Koninck, 1992, pp. 30-35). As a comparison, a rubber tapper costs less than the production of the rubber, for his work entails only cutting the bark of the rubber trees. Furthermore, in practice, this cost is shared between the landowner and the rubber tapper. However, for paddy farmers, the labour cost is about M\$270.00 (£55.10) per hectare or 7 % of the total gross income (Table. 4.1)(MADA, 200, p. 26).

This high cost of paddy production has affected the income of paddy farmers, especially the tenant farmers. The poverty line for the poorest and poor is M\$415.00 (£84.69) and M\$691.00 (£141.02) per month, respectively. These farmers will fall into the lowest category of the poor if they have planted less than 1.1 hectares, or poor if they have planted between 1.1 and 2.3 hectares. In contrast to the landowner, they will fall into the category of the poorest if they have planted less than 0.9 hectares and poor if they have planted less than 2 hectares (Table 4.2).

In addition, paddy farmers are also required to pay *zakat* on paddy , which is 10 % of the total gross income. In this situation, paddy farmers will deduct the cost of labour from the amount on which *zakat* should be paid. According to MADA (2004), the cost of production for a landowner cum paddy farmer is about 28 % of the total gross income, although it is much higher for the tenant, usually about 53 %.⁵³ About 25 % of the tenant's total gross income is used for rent, which is paid after the harvest. For the rest, about 12 % is allocated to machinery, 9 % to input costs, and 7 % to labour cost. Since labour cost takes approximately 7 % of the total gross income, farmers pay only the balance of 3 % of *zakat* on paddy . This situation was probably influenced by the collection of *zakat* on paddy in Kedah.

The KDoZ in *Laporan Tahunan zakat Tahun 2003–2004* (Annual *Zakat* Report 2003–2004) was disappointed with the paddy farmers because less than 30 % of them had paid *zakat*. The report lists four factors that led to this situation, two of which seem to show the paddy farmers in a bad light. According to the KDoZ, paddy farmers much prefer to distribute *zakat* on paddy themselves and they do not take seriously the importance of paying *zakat* to the KDoZ (Jabatan *Zakat* Kedah, 2005,

⁵³ The average income per hectare is M\$3,877.25

p. 14).⁵⁴ Nevertheless, KDoZ realizes that one of the reasons why paddy farmers do not pay *zakat* is owing to the ineffectiveness of delivering information. However, the KDoZ does not consider the problems faced by paddy farmers, especially the costs entailed in planting paddy (MADA, 2004, p.7).⁵⁵

⁵⁴ These four factors are (1) less awareness of the importance of paying *zakat* to KDoZ; (2) land ownership problems; (3) *zakat* on paddy may be distributed by the paddy farmers themselves; and (4) weak dissemination of information regarding the requirement to pay *zakat* to KDoZ.

⁵⁵ The KDoZ asserts that less than 30 % of paddy farmers paid *zakat* to it. The figure produced by MADA shows that there were 17 % of paddy farmers who had planted more than 3.0 hectares, and 38 % between 1.5 to 3.0 hectares. Most probably, those who paid *zakat* to the KDoZ were paddy farmers who had planted more than 3.0 hectares.

Table 4.1: Production cost per hectare of paddy

Size Hectare	Production Costs				Total Production Cost		Total Gross Income	Total Net Income	
	Input	Labour	Machinery	Rent	Owner	Tenant		Owner	Tenant
0.5	166.3	135.1	245.6	487.2	547.0	1034.2	1938.9	1391.9	904.6
1.0	332.5	270.3	491.3	974.5	1094.0	2068.5	3877.7	2783.7	1809.3
1.5	498.8	405.4	736.9	1461.7	1641.0	3102.7	5816.6	4175.6	2713.9
2.0	665.0	540.5	982.5	1948.9	2188.1	4137.0	7755.5	5567.4	3618.5
2.5	831.3	675.7	1228.2	2436.1	2735.1	5171.2	9694.3	6959.3	4523.1
3.0	997.5	810.8	1473.8	2923.4	3282.1	6205.4	11633.2	8351.1	5427.8
3.5	1163.8	945.9	1719.4	3410.6	3829.1	7239.7	13572.1	9743.0	6332.4

Source: Fieldwork study (2009)

Table 4.2: Average monthly paddy farmers' income by hectare

Size	Total Net Income		Average income per month*		Total Zakat paid	Labour Cost
	Owner	Tenant	Owner	Tenant		
0.5	1391.9	904.6	232.0	150.8	Exempted	135.1
1.0	2783.7	1809.3	464.0	301.6	387.8	270.3
1.5	4175.6	2713.9	695.9	452.3	582.0	405.4
2.0	5567.4	3618.5	927.9	603.1	776.0	540.5
2.5	6959.3	4523.1	1159.9	753.9	970.0	675.7
3.0	8351.1	5427.8	1391.9	904.6	1164.0	810.8
3.5	9743.0	6332.4	1623.8	1055.4	1357.0	945.9

Source: Fieldwork study (2009)

4.5.1.1.2 Collection of *zakat* on paddy : Political influence

The *zakat* on paddy paid by paddy *farmers* has contributed to social and physical development, particularly that of the SAR, which, before the late 1960s, was becoming a centre of production of *ulama* in Malaysia (Roff, 2004, p. 4). When the Enactment *Zakat* of Kedah made it compulsory for all paddy farmers to pay *zakat*, the KDoZ continued to distribute part of the *zakat* to the SAR. However, the *zakat* assistance was still not enough and financial constraints have become a serious problem for the SAR.

Beginning in 1986, both federal government and state governments started to give the SAR financial assistance (Jabatan *Zakat* Kedah, 1991, p. 12). However, in 2003, the then Prime Minister, Tun Dr. Mahathir bin Mohammad, announced that there was to be no more financial contribution to the SAR. He declared that the SAR was not teaching Islam properly and that it was a *pusat indoktrinasi PAS* (centre of PAS indoctrination), where the PAS (*Parti Islam SeMalaysia* or Malaysian Islamic Party) was brainwashing students not to support the existing government, which was led by the UMNO (Penyelewengan Pengajaran Islam oleh PAS akan terus dikawal [Deviation in Islamic teaching by PAS will be continually monitored], 2003, June 19, *Utusan Malaysia*, p.13)

This situation influenced the *zakat* on paddy payers not to pay their *zakat* to the KDoZ. They preferred to give it to the SAR's administration as well as the students.⁵⁶ In 2004, the then prime minister announced that the annual proportion of *zakat* on paddy collected had fallen to less than one %, compared with earlier years, in which there was an annual average increase of 4 % (Table 4.3). Therefore, paddy *farmers* were reluctant to pay *zakat* because, from their perspective, the KDoZ was favoured over UMNO. UMNO has practised discrimination in delivering rural programme assistance to

⁵⁶ In Kelantan, the state government ruled by PAS assists SAR with funds from *Tabung Amanah Tok Kenali* (Tok Kenali Trust Fund). This Trust Fund was established by the state government in 1992, and the source of funding is at least 10 % of the total money paid to the state government by the *Tenaga Nasional Berhad* on the hydro-electric project of Jeli. The funds are specifically used for three areas of human development: (1) Assisting those people of Kelantan who to study further at local and overseas universities; (2) Improving the religious school in Kelantan, particularly the *sekolah agama rakyat* and *pondok*; (3) conducting Islamic programmes and projects for the benefit of the people of Kelantan.

villages, for only UMNO members are given opportunities. After the tenth general election in 1999, discrimination increased because PAS won many parliamentary as well as state seats.⁵⁷

Table 4.3: Average *zakat* on paddy collection: 1998–2003

	Year	Zakat paddy collection	Percentage increase
1	1998	1,257,673	—
2	1999	1,357,426	Average: 3.8 annually
3	2000	1,417,828	
4	2001*	1,382,612	
5	2002	1,409,327	
6	2003	1,529,141	
7	2004	1,538,685	0.6

*Drought

Source: Data from Kedah Department of Zakat (2005).

To convince paddy farmers that the KDoZ was free of political influences, it informed the public that its administration was directly controlled by His Highness (Ghazali Yaacob, personal communication, January 24, 2006). The KDoZ’s statements can be understood by studying the organizational structure. The chairman or head of the KDoZ is not a political leader but a person appointed directly by His Highness. However, in other states, the chairman of the State Islamic Affairs Council is a politician, such as a chief minister or individual appointed on the recommendation of the Chief Minister. In other words, state politics might influence the granting of *zakat* assistance, where those who support the Opposition have less of a chance of receiving financial help. For example, in the state of Selangor, *zakat* assistance from the *Majlis Agama Islam Selangor* was withdrawn from nine students who were studying in Egypt, because it was suspected that they were in favour of the Opposition party (MAIS tarik balik dermasiswa sembilan penuntut tajaannya [MAIS withdraws scholarship from their nine sponsored students], 2005, July 12, *Utusan Malaysia* , p. 9).

⁵⁷ Data show that many of the State Assembly Seats won by PAS in the tenth and eleventh Malaysian General Elections in Kedah are in the paddy area. In the tenth General Election (1999), PAS won 12 of the 36 State Assembly Seats, while the rest were UMNO. In the eleventh Malaysian General Election, they won only 5 of the 36 State Assembly Seats. The seats won by PAS are in the paddy areas: Bukit Pinang, Anak Bukit, Belantik, Sungai Limau and Tokai. See, 11th General Election Malaysia. (2004). *2004 11th Election Result*. Retrieved 2009, April 24 from <http://www.pilihanraya.com.my>.

According to Ghazali Yaacob (personal communication, January 24, 2006) the public, particularly the paddy farmers, should reject the issue of the KDoZ and UMNO, because in any ceremony conducted by the KDoZ, UMNO leaders will not be invited.

The KDoZ realized one of the reasons for the paddy farmers are less motivated to pay *zakat* was the appointment of the *amil* from among UMNO supporters and the bad practice of the *amil* himself. To solve the problem, the *amil* was appointed from among the members of the *jawatankuasa masjid* (mosque committee). The mosque is a symbol of unity and the appointment of the *jawatankuasa* is based on the agreement of the villagers, so there is no reason why the paddy farmers should not pay *zakat* to the *amil*. Furthermore, members of the *jawatankuasa masjid* are considered *orang baik* (honest people) and therefore worthy of being responsible for the collection of the *zakat*. However, why do paddy farmers still not pay *zakat* to the appointed *amil*? This situation shows that the institution of the mosque is not free from political influence. The *jawatankuasa masjid* consists of seven members including the *imam* as Chairman. Others are the Deputy *Imam/Deputy* Chairman, Treasurer, Secretary and three members. The *imam* was appointed by the *Majlis Agama Islam Kedah* (MAIK) as stated in *Enakmen Pentadbiran Agama Islam Negeri Kedah 1962* [Enactment of the Administration of the Islamic Religion of Kedah 1962]. Although the *imam* was appointed by the MAIK, it was only a rubber-stamp procedure. In practice, the potential *imams* as well as other *jawatankuasa masjid* were selected by the agreement of villagers, and the MAIK would give the commission as required by its enactment (Norudin bin Ahmad, personal communication, March 22, 2006)

However, after 1984, the appointment of the *jawatankuasa masjid* did not solely depend upon the villagers. The villagers could select three representatives while the MAIK appointed the other three as stated in *Peraturan-peraturan Jawatankuasa Masjid 1984* [Regulations of the Mosque Committee 1984]. In practice, the MAIK appoints the JKKK and he may recommend two members to the MAIK. This new arrangement gives politicians the opportunity to participate in the administration of the mosque. Since the UMNO asserts that the PAS used the mosque to invite villagers not to support the

government in *Jumaat* sermons, the JKKK was eager to recommend government supporters for the position of *imam*.

In current practice, if there is a vacancy for an *imam*, the District Religious Officer (DRO, previously known as the *kadi*) will send a notice to the JKKK to announce to the villagers that those interested and qualified should come for an interview at the *Pejabat Agama Islam Daerah* (Office of District Islamic Religious). The pro-government DRO gives a greater opportunity to the UMNO's candidates, because the appointment of *imam* by the MAIK is highly dependent on the DRO's recommendation.⁵⁸ If the *imam* is selected from the UMNO candidates, the members of the *jawatankuasa masjid* will be dominated by UMNO supporters, because the MAIK allows the *imam* to recommend three other names to complete the numbers of the *jawatankuasa masjid*.

This approach does not appear to satisfy the paddy farmers, as shown in a study by Universiti Utara Malaysia (University of Northern Malaysia, UUM) in 2004. The study found that about 70 % of paddy farmers do not pay *zakat* to the KDoZ because the *amil zakat* on paddy is pro-government (Tahir et al., 2003, p. 117). In other words, they are not happy to pay the *zakat* to the KDoZ because, from their perspective, the KDoZ is an organization in favour of the current government, which is UMNO.

4.5.2 Transition from *zakat* on paddy to *zakat* on wealth (*Zakat al-mal*)

4.5.2.1 *Zakat* on wealth before 1980

In 1965, for the first time after the implementation of the Enactment of the *Zakat* of Kedah 1374 (1955), the KDoZ started to receive payments of *zakat al-mal* from the public. However, between 1965 and 1978, the proportion of *zakat al-mal* was much smaller than the proportion of *zakat* on paddy, which was less than one percent,⁵⁹ even though the Department of Inland Revenue, according to the Income Tax Act (1967),

⁵⁸ If there is no suitable candidate among the government supporters, the JKKK might not inform the other potential candidates, particularly the Opposition supporters.

⁵⁹ 1965 and 1966 (0.02 %), 1967 (0.01 %), 1968 (0.05 %), 1969 (0.02 %), 1970 (0.06 %), 1971 (0.05 %), 1972 (0.09 %), 1973 (0.15 %), 1974 (0.12 %), 1975 (0.13 %), 1976 (0.3 %), 1977 (0.34 %), 1978 (0.72 %), 1979 (1.40 %), and 1980 (1.52 %). See, various Laporan Tahunan *Zakat* from 1965 to 1980.

offered to deduct from income tax the total amount of *zakat* paid by an individual to the state *zakat* body (Ibrahim, 1989, p. 21).

From 1977 to 1979, Kedah experienced drought, which affected paddy activity. Owing to the lack of water, the MADA cancelled the off-season paddy planting in its area. This situation was reflected in the *zakat* on paddy collection, when during this period, the amount collected was less than M\$ 1 million (*Jabatan Zakat Kedah*, 1981, p. 12).

Although the amount of *zakat al-mal* collected was much less than the *zakat* on paddy, *zakat al-mal* still contributed about M\$4,000.00–6,000.00 (£816.33-1224.49) during this time. The increase in *harta* made the KDoZ realize that this type of *zakat* would become another source of *zakat* proceeds for the KDoZ, particularly as a back-up for the *zakat* on paddy during the drought.

In addition, the KDoZ, through its information officers, announced to the public that it was ready to receive *zakat al-mal* payments. The response in 1980/81 was very good, with the amount of *zakat al-mal* collected reaching about M\$150,409.03 (£30,695.72), compared with M\$23,529.93 in 1979/80, or about a 635% increase (*Jabatan Zakat Kedah*, 1981, p. 12; *Jabatan Zakat Kedah*, 1987, p. 10). Realizing the potential of the *zakat al-mal* collection, Datuk Haji Wan Anwar bin Wan Ishak, the then Secretary of KDoZ, urged the public to pay its *zakat al-mal* to the KDoZ. However, the KDoZ itself realized that it could not compel those who were reluctant to pay *zakat* other than the *zakat* on paddy because the enforcement of the *Zakat* Enactment 1374 (1955) applied only to *zakat* on paddy (*Jabatan Zakat Kedah*, 1987, p. 8).

4.5.2.1.1 The dakwah movement, political scenario, and zakat al-mal collection

The increase in the *zakat al-mal* collected was influenced by the *dakwah* (missionary) movement in the mid-1970s. In the early 1970s, a large number of Malays were returning to the mosques and *suraus* for prayers and Islamic lessons; more women took to wearing the *purdah* (head veil) and *telekung* mini (mini head veil), and Muslims generally were showing more concern about halal food (Mutallib, 1990, p. 885). Before

that period, the *dakwah* movement was more concentrated in the rural areas, where the *tok guru pondok* and his students played their role in the delivery of Islamic teachings. However, in the 1970s, the *dakwah* movement spread to the urban areas, especially by means of three main organizations: *Angkatan Belia Islam Malaysia* or the Malaysian Islamic Youth Movement (ABIM), *Darul al-‘Arqam*, and *Jama‘at Tabligh* (Roff, 1998, p. 210-228). However, the ABIM had more influence among the rural population, in which the members and supporters of the ABIM were young men and women who had migrated to the cities for higher-paid employment and education (Nagata, 1982). It was established by a group of Malay students at the University of Malaya in 1969, and became more active in the transmission of the proper understanding of Islam to young people and the public after registering in 1972. In 1974, the ABIM took on a public role when it participated in a demonstration at Baling, Kedah, asking for a better policy for rubber tappers, who, at that time, lived in poverty owing to the decrease in the price of rubber. A year later, in the Declaration of 6th Dzulhijjah 1395, the ABIM asked the government to implement the Islamic Shari‘ah to eradicate corruption, poverty, and exploitation of the weaker sex. To spread justice and awareness in Muslim society, according to Bakar (1981, p.1047), the concept of *Ukhuwah Islamiyyah* (Islamic Brotherhood) was adopted among the members and was introduced to the public. Perhaps this concept indirectly affected the increase in the *zakat al-mal* collected, since the *zakat* is one means of helping other Muslim societies.

Although the amount of *zakat al-mal* collected increased considerably, the KDoZ did not receive it from large companies or organizations owned by Malays or the government, which were liable for the payment of *zakat*. Most of the *zakat al-mal* was paid by individuals working in the government and public sectors, who were taxed on their income, as well as from individual Muslim business people (Jabatan *Zakat* Kedah, 1987, p. 19).

However, the scenario changed after the ABIM President, Dato’ Seri Anwar Ibrahim, joined the ruling party in 1982, where he had previously actively opposed the ruling government and became close to the Opposition party, PAS. In the government, he managed to introduce Islamic institutions such as BIMB and the International Islamic

University Malaysia, and many ABIM leaders and members became advisers to the Islamization programme for existing institutions such as the Islamic Insurance Company, Islamic Economic Development Programme (Camroux, 1996, pp. 852-858). These Islamization programmes indirectly benefited the KDoZ when, in 1984, the *Lembaga Urusan dan Tabung Haji* (Pilgrim's Fund and Management Board – LUTH), initially established to mobilize Malay farmers' small-scale savings, became the government's first interest company to pay *zakat perniagaan* on the savings of their depositors (Jabatan Zakat Kedah, 1987, p. 9).

4.5.2.1.2 From 1985: KDoZ's New Policy concerning Invisible Assets

In 1985, a year after the LUTH paid *zakat* to the KDoZ, the *Jawatankuasa Fatwa Negeri Kedah* (Kedah Fatwa Committee) responded by issuing a fatwa related to the *zakat simpanan* (*zakat* on savings). Considering that the first fatwa by the *Jawatankuasa Fatwa Negeri Kedah* was about *zakat al-mal*, the Committee agreed that the depositors of the *Kumpulan Wang Simpanan Pekerja* (Employees Provident Fund (EPF) – KWSP), must pay *zakat* on their money in this institution (Jabatan Zakat Kedah, n.d.).⁶⁰ In the following year, the *Jawatankuasa Fatwa* issued a fatwa stating that Muslims in Kedah were required to pay *zakat* on all income, including that from salary, allowances, and gifts. Later, this rule was also applied to the income from shares (Jabatan Mufti Negeri Kedah & Majlis Agama Islam Kedah (MAIS), n.d, p. 19).

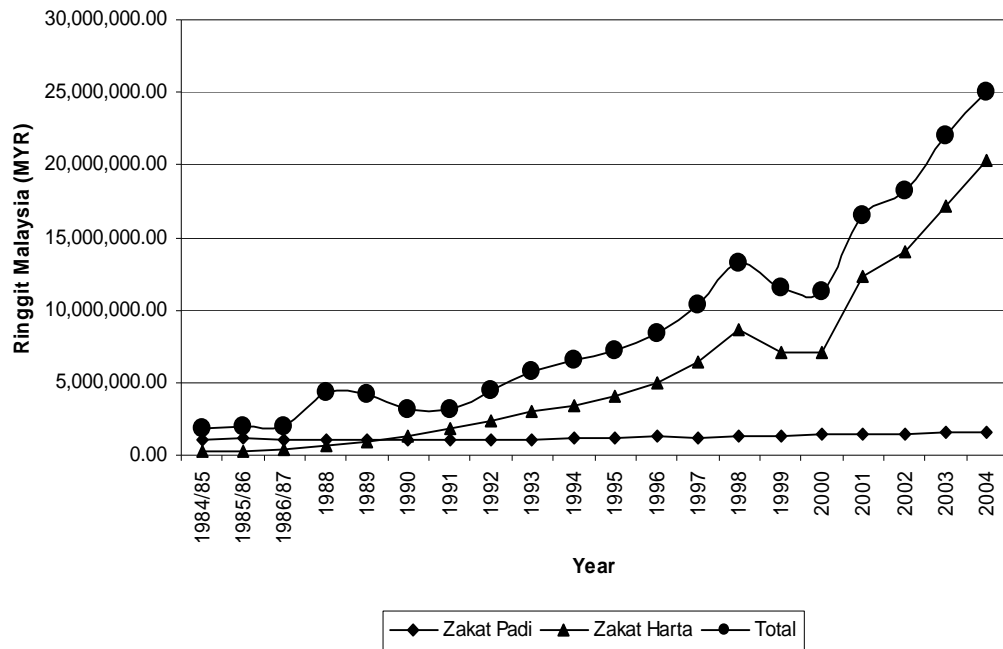
However, the *Zakat* Committee did not mention that *zakat* should be paid to the KDoZ because, according to the Committee, the state *zakat* administration may collect only the *zakat* on visible assets, whereas salary, savings and shares are considered invisible assets (Jabatan Mufti Negeri Kedah & MAIS, n.d, p. 23). Although there was no enactment forcing Muslims to pay *zakat al-mal* to the KDoZ, the *zakat* collected after a series of *fatwas* issued in 1985 was much bigger than before.

⁶⁰ Depositors must pay 2.5 % of their total money. However, according to the KWSP, depositors cannot withdraw one-third of their savings until the age of 50, and all saving until the age of 55. In this situation, the Committee of Fatwa of Kedah allows depositors to pay *zakat* based on two approaches: first, depositors may pay *zakat* when they receive their money at age 50 and 55, or second, they may pay *zakat* annually if they know the amount of money in their account.

In 1990, the total *zakat al-mal* collected was bigger than that of *zakat* on paddy since the implementation of these taxes in 1965 (Figure 4.6). A large proportion of the *zakat al-mal* proceeds came from income and trade. In 2004, *zakat* on income comprised M\$9,928,789.92 (£2,026,283.66) or about 40% of the total *zakat* collected by the KDoZ. This situation was influenced by the realization of the Muslims that they could request a rebate from the Inland Revenue Board of Department (IRBD) for the income tax covering their payment of *zakat* which came into being in 1960 (Jabatan *Zakat* Kedah, 2005, p. 12). In the commercial sector, most of the companies that paid *zakat* were those engaged in finance and agriculture, with the LUTH contributing a particularly large amount.⁶¹

⁶¹ In 2004, there were 82 companies paying *zakat* to the KDoZ, and of these, 19 paid more than M\$20,000.00 (£4,081.63): LUTH (M\$1,252,085.00 or £255,527.55), Bank of Rakyat (M\$820,000 or £167,346.94), BERNAS Sdn. Bhd (M\$65,829.00 or £13,434.49), Perbadanan Nasional Berhad (M\$600,000.00 or £122,448.98), Affin Discount (M\$387,973.00 or £79,178.16), Takaful Nasional (M\$209,541.00 or £42,763.47), BPIMB (M\$130,136.00 or £26,558.37), BIMB (M\$92,510.00 or £18,879.59), Farmers Organization of Tanjung Dawai (M\$47,819.00 or £9,758.98), Farmers Organization of Tunjang (M\$44,312.00 or £9,043.27), Kedah Civil Government Official Co-operative (M\$38,669.00 or £7,891.63), Farmers Organization of Gerak Maju (M\$36,085.00 or £7,364.29), Takaful Malaysia Berhad (M\$27,639.00 or £5,640.61), Farmers Organization of Kerpan (M\$51,382.60 or £10,486.24), Perunding Jati Sdn. Bhd (M\$25,000.00 or £5,102.04), Farmers Organization of Kedah (M\$23,943.00 or £4,886.33), Yasmin Holdings (M\$21,386.00 or £4,364.50), Maybank (M\$20,804.00 or £4,245.71), PPK Tajar (M\$20,484.00 or £4,280.41), PPK Kubang Sepat (M\$17,884.00 or £3,649.80), Cooperation of Religious Officer of Kedah (M\$16,000.00 or £3,265.31), and Farmers Organization of Titi Haji Idris (M\$14,305.00 or £2,919.39). See, “Laporan Tahunan *Zakat* Tahun 2003–2004”, 13–14.

Figure 4.6: Collection of *zakat* on wealth and *zakat* on paddy (1984–2004)



Source: Various Laporan Zakat, 1984–2004.

4.5.2.2 Rejection of *zakat* collection under the corporate system

This system works by establishing a corporate body or a corporate *amil* to collect *zakat* on behalf of the MAIN's. In 1990, the MAIWP became the first state to collect *zakat* under the corporate system, and was then followed by Majlis Agama Islam Selangor, Pulau Pinang, Negeri Sembilan, Pahang and Melaka.

At the national level, the JWZH as well as the JAKIM recognized the system as an efficient means of increasing the amount of *zakat* collected. This method was promoted not only to the other *Majlis Agamas*, which had not yet implemented it, but also to *zakat* bodies in other countries of South-East Asia.

The KDoZ's view was that the appointment of an *amil koperat* (corporate *amil*) was not necessary to increase the amount of *zakat* collected, because it had managed to achieve an increase without implementing that system (Ghazali Yaacob, personal communication, January 24, 2006). Some strategies were introduced, such as the deduction of *zakat* payment from employees' salaries, the opening of *zakat* payment counters in public places, and the appointment of financial institutions as collection agents.⁶² Most *zakat* collection programmes conducted by the KDoZ are managed by corporate *amils*, (Nasir, 1999, pp. 305-306) although they differ in that the jobs are handled by the staff of the KDoZ.

The reason why the KDoZ did not use the corporate *amil* was that *zakat* was to be collected only by the Sultan, where this responsibility was delegated to the *Zakat* Committee. In other words, the KDoZ consisting of members of the *Zakat* Committee is the only institution that can collect *zakat* (Ghazali Yaacob, personal communication, January 24, 2006).⁶³

This situation is not the sole reason for rejecting the collection of *zakat* by the corporate *amil*. Another reason is the problem of the federal government, which would like to interfere in religious matters. The current religious issue creating tension between the states and the federal government is the establishment of LUZAM, which not supported by His Highness. This can be seen from the response of His Highness to Dato' Mursyid Di Raja Dato' Majid (Dato' Majid), one of the members of the *Zakat* Committee. Dato' Majid asserts that the establishment of LUZAM is better for poverty alleviation. His opinion is a response to the statement by Dr Mahathir in the *Utusan Malaysia*, titled "LUZAM Mungkin di Tubuhkan" [LUZAM might be Established].⁶⁴

⁶² To date, there are eight financial institutions appointed to collect *zakat* on behalf of the KDoZ. Each bank is paid commission based on the agreement between the bank and the KDoZ. For example, MayBank is paid M\$2.00 for every M\$100.00 collected. The Public Bank is paid 1.5 % of the amount that it collects.

⁶³ The current progress of *zakat* collection by the KDoZ, however, is not shared by Dato' Hasbullah. He added that the *zakat* collected would be much larger if collected under the corporate *amil* system. He rejected the opinion of the KDoZ, in which the Sultan is not happy to implement the collection of *zakat* in this way. According to Dato' Hasbullah, based on his experience in dealing with His Highness the Sultan regarding Islamic matters, His Highness will accept any idea in the Islamic administration as long as it can be fully justified.

⁶⁴ *Utusan Malaysia*, 3 December 2001.

This statement was not supported by His Highness. According to Ghazali, the implication is that His Highness the Sultan would not allow the *Zakat* Committee members or the KDoZ staff to give any statement to the media without his approval (Ghazali Yaacob, personal communication, January 24, 2006).

The KDoZ conducts the collection of *zakat* under the corporate *amil* system introduced by MAIWP as a federal government's model. Furthermore, the federal government would like to use the administration of MAIWP as a model for other MAINs in Malaysia. This is probably not to show that the KDoZ will tolerate the federal government's interference in *zakat* matters, but that the KDoZ is reluctant to implement this system.⁶⁵ Currently, Kedah is not the only state that does not use the *amil koperat*, for the states where most of the Sultans are the religious leaders including Perak, Kelantan, Terengganu, Johor and Perlis, do not use it either (Ahmad et al., 2005).

4.5.3 *Zakat fitrah*: new sources of *zakat*

In 2000, the KDoZ started collecting *zakat fitrah*, which it had never done before, since *zakat* had been classified as a *zakat batin*, and His Highness had allowed Muslims in Kedah to distribute it themselves. In the early stages, Muslims paid *zakat fitrah* by giving *beras* (husked rice) to the poor people in their village or the surrounding area. Muslims also gave *beras* to the mosque and asked the *imam* and *jawatankuasa masjid* to distribute this to the poor people in the village.

However, the Muslims in the urban areas faced difficulties in distributing *zakat* themselves to the poor and poorest. Consequently, they approached the KDoZ's office to pay *zakat fitrah*. In 2000, the KDoZ started to collect the tax more efficiently by providing payment counters at focal points, such as shopping centres and offices (Ridhuan Ahmad, personal communication, Januari 5, 2006). The amount of *zakat fitrah* collected was still small due to the fact that *zakat* payment to KDoZ is not

⁶⁵ Currently, it seems that the KDoZ, at the very least, co-operates with the federal government agencies. According to Dato' Ghazali, the JAKIM sent an officer to research the KDoZ. However, after a month the officer was not allowed to continue, for his absence had been noticed by His Highness the Sultan.

compulsory as it is optional to pay them directly to the poor, however, between 2000 and 2004, it comprised only about one percent of the total *zakat* collected.⁶⁶

Table 4.4: *Zakat fitrah* as a proportion of total *zakat* collected (2000–2004)

Year	Zakat Fitrah Collected (M\$)	Total Zakat Collected (M\$)
2000	110,890.00	11,223,433.00
2001	110,445.50	16,483,879.00
2002	204,412.50	18,222,681.00
2003	282,475.00	22,072,374.00
2004	348,750.00	25,040,911.36
Total	1,056,973.00	93,043,278.36

Note: £1 equivalent to M\$4.9 (oct.2010)

Source: Jabatan Zakat Kedah (2005).

4.5.4 Collection of *zakat getah* before 2005

Before 2005, the KDoZ paid less attention to the collection of *zakat getah* (*zakat* on income from rubber tapping) owing to the non-competitiveness of rubber prices. However, the KDoZ encouraged rubber tappers who earned incomes exceeding the *nisab* to pay the appropriate amount of *zakat* (later known as *zakat getah*). The *zakat getah*, according to the KDoZ, falls into the category of *zakat perniagaan*, in which the *zakat* is paid at the end of each year from the payer's income if it exceeds the *nisab*. The *nisab* was about M\$3,060.00, and the *zakat* payable was 2.5%.

To encourage payment of the *zakat getah*, the KDoZ requested *imams* and *amil zakat al-mals* to disseminate this information to the rubber tappers. Among the programmes implemented by the KDoZ was a prepared *khutbah Jumaat* (Friday sermon) for the *imam* to read during the Friday prayer. However, the information given in the *khutbah* was more general because the message generally described how the Muslims should pay *zakat* on all their income if it reached the *nisab*. In the opinion of the KDoZ, Muslims had the responsibility to pay *zakat* if the information had already been given to

⁶⁶ The amount of *zakat fitrah* collected was small compared to the total *zakat* collected as *zakat fitrah* is only collected during the month of Ramadhan or just before the Eidul Fitri prayer.

them. They should thus go to the nearest KDoZ payment counter and ask for further information or pay their *zakat* (Ghazali Yaakob, personal communication, January 24, 2006)

Despite the strategies described above, however, until the end of December 2005, the KDoZPT never received any *zakat getah* paid by rubber tappers, especially from big landowners. Compared with the other agricultural activities, there was not much difference with rubber tappers.

The institution of *imam*, as described above, was not under the control of the KDoZ officers or staff. The only institution controlled by the KDoZ that actively delivered the information of the requirement to pay *zakat* on all types of income, including that from rubber tapping, was the *amil zakat al-mal*.

4.5.5 Zakat getah: the current situation

Towards the end of 2005, the price of rubber for scrap was increased to M\$3.20 per kilogram, compared with only M\$0.60 per kilogram in the mid-1990s. In response to this situation, the KDoZ extended its strategies to encourage rubber tappers to pay *zakat getah* by giving information to the *guru agama kampongs* (village teachers of Islam). The *guru agama kampung* is one of the social institutions close to the villagers, and once a week, he teaches them about *fiqh*, *tawhid*, and other aspects of Islam. Normally, he gives his lectures on a Friday morning or just before the *Jumaat* prayer time. In addition to payment by the mosque committee, the *guru agama kampung* receives M\$300.00–500.00 per year as a token of appreciation from the MAIK.

The KDoZ also gives *zakat* to the *guru agama kampung* under the beneficiary of *fisabilillah*. This is not a new practice, however, because it has existed since the early days of the establishment of the KDoZ. However, during the ceremony of the *zakat* distribution held in June 2006, Ghazali, in his speech to the *guru agama kampung*, mentioned the requirement of paying *zakat getah* to the KDoZ. According to Anuar, the Assistant *Zakat* Officer of the KDoZ Padang Terap Branch, there are two reasons why the secretary informed the *guru agama kampung* about *zakat getah*. First, the standard of living of the *guru agama* is much higher than that of the other villagers, and some of

them have large rubber plantations. By giving them this information, the *guru agama* might pay *zakat getah* to the KDoZ. Second, the *guru agama* will inform the villagers during his lectures of the requirement to pay *zakat getah* to the KDoZ (Anuars, personal communication, February 19, 2006).

The achievement of the KDoZ in encouraging rubber tappers to pay *zakat getah* is still too early to evaluate. However, a year after the increase in rubber prices, the KDoZPT has still not received any payment of *zakat getah* from the villagers, nor from the *guru agama kampung*.

One of the questions we should examine is whether it is appropriate to levy *zakat getah* under the heading of *zakat perniagaan*. According to this policy, rubber tappers who work on their own land (landowners) or that of other people (employees) must pay 2.5% of their income if it exceeds M\$3060 per year.

The principle of *zakat perniagaan* is that one is required to pay *zakat* if one intends to buy or sell to make profit (al-Qaradawi, 1999). Rubber tappers who work on other people's land, a practice known locally as the *pawah* system, do not tap rubber trees that belong to them. It means they have no capital, for they use only their skills and labour to tap rubber trees. Under this system, the method of payment by the landowner to the rubber tapper is based on the concept of sharing, in which the income from selling rubber will be divided equally between the landowner and the rubber tapper.

The KDoZ classified the *zakat* paid by those who earn their income by using their skill and knowledge without monetary capital as *zakat pendapatan*. This group includes those who are employed in the government, semi-government and private sectors. At present, those who earn at least M\$900.00 (£183.67) per month and are single are required to pay *zakat* of M\$6.00 (£1.22). Those who are married without children are liable to pay *zakat* of M\$7.00 (£1.43) if their income is above M\$1,200.00 (£244.90) per month.⁶⁷ The rubber tappers working under the *pawah* system are required to pay *zakat* if their income reaches M\$3,060.00 (£624.50) per year or M\$255.00 (£52.04) per month. This amount is much lower than that of someone who earns at least

⁶⁷ Jabatan *zakat* Kedah (n.d.) see "Jadual Potongan *zakat* Bulanan" (Alor Setar, Malaysia: Jabatan *Zakat* Kedah)

M\$900.00 (£183.67) per month but is exempted from *zakat* according to the *zakat pendapatan* formula. Furthermore, an average income of M\$255.00 (£52.04) per month is below the poorest poverty line of M\$ 415.00 (£84.70) per month as mandated by the Malaysian government. In this situation, it might be appropriate to levy *zakat getah* under the heading of *zakat pendapatan* as applied to those employed in the government and non-government sectors. It is interesting to refer here to a statement by the *amil zakat al-mal*, Mahmud, in which he pointed out that the officials of the KDoZ are also still searching for an efficient method of calculating *zakat*, including *zakat getah*.

4.6 Asnaf and distribution of zakat

4.6.1 Distribution before 1982

In 1982, the state government of Kedah passed the *Peraturan-peraturan Zakat Tahun 1982 (Zakat Regulations 1982)*, which consisted of detailed definitions of each *asnaf*. The new regulations had significant implications for the distribution of the *zakat* collected to the beneficiaries, because after 1983, the KDoZ no longer included an allocation to a *firriqab* (Jabatan Zakat Kedah, 1970, p. 3).⁶⁸

Before 1982, the *zakat* collected was distributed to all beneficiaries; however, not every beneficiary received an equal amount. Priority was given to the *fisabilillah* and *firriqab*, which were used for the development of the SAR and mosques as been decided through *Zakat Committee Council* meeting. In addition, the KDoZ allocated 1/16 of the *zakat* to create a reserve fund, as allowed by the *Zakat Enactment of Kedah, 1374 (1955)*.⁶⁹ The enactment states the following:

The committee, with the approval of His Highness the Sultan, may create a reserve fund out of the proceeds from the collection and sale of *zakat* property and may use the fund at any time for any purpose permissible under Muslim Law (s. 7).

The regulation defines a *firriqab* as a slave who is required to pay a certain amount to his master to obtain his freedom (see Table 3.5). As mentioned earlier, before the new

⁶⁸ The term *firriqab* instead of *ar-riqab* was used in the *Peraturan-peraturan Zakat 1982*.

⁶⁹ There is no information available about how the 1/16 was deducted from the *zakat* proceeds before 1968. However, according to the “*Laporan Tahunan Zakat 1969*”, it was deducted from the total *zakat* proceeds, then the balance was divided equally into eight *asnafs*

regulation, the *zakat* from *firriqab* was used for the development of the SAR, as well as for mosques and *suraus* (small mosques). However, based on this regulation, the KDoZ considered *firriqab* non-existent and transferred this portion to other *asnafs*. The KDoZ also considered that *asnaf al-gharimin* did not require a large amount of *zakat* and, therefore, some of it could be transferred to other beneficiaries (*Jabatan Zakat Kedah*, 2005, pp. 24-25).

The mechanism divides the *zakat* proceeds equally among eight beneficiaries.⁷⁰ Of the amount allocated to the *firriqab*, 50% is transferred to *faqir*, *misikin*, *amil*, and *fisabilillah*; 25% to *faqir* and *misikin*; and another 25% to taxes and printing costs. Of the amount allocated to *al-gharimin*, about 75% is transferred to other *asnafs*; 50% to *faqir*, *misikin*, *amil* and *fisabilillah*; and the remaining 25% is exclusively for the *faqir* and *misikin* (see Table 3.6). The balance of 25% is used for those who are classified as *al-gharimin* recipients, such as overseas students who cannot afford the fare home, the salary of a teacher of Islam, those who have borrowed money to pay for the funeral of a family member, and those who are in debt for those products and services allowed by Islamic law.

Table 4.5: Definition of Beneficiary (*asnaf*)

<i>Amil</i>	Recipient of <i>zakat</i> proceeds, appointed by the Committee of Department of <i>Zakat Kedah</i>
<i>Faqir</i>	People without money or property, or those whose property is less than half of what they require
<i>Miskin</i>	People who have only half of the necessary money or property.
<i>Muallaf</i>	Those who have just converted to Islam
<i>Ibni sabil</i>	Those who travel and are in need of assistance, even though they have property at home
<i>Fi sabilillah</i>	Works or effort accepted by Islamic teachings
<i>Firriqab</i>	The servant who is required to pay a certain amount to be released from his/her contract
<i>al-gharimin</i>	Those who are in debt as allowed by the Shari'ah

Source: *Peraturan-peraturan Zakat Tahun 1982*.

⁷⁰ The spending priorities were decided by the Committee of *Jabatan Zakat Kedah*.

Table 4.6: Formula distribution of *zakat* proceeds from *ar-riqab* and *al-gharim*

		<i>al-riqab</i>			<i>al-gharim</i>			
		1/8	50.00%	25.0%	25.0%	50.0%	25.0%	
<i>Faqir</i>	12.5%	1.56%	1.56%		1.56%	1.56%		18.75%
<i>Miskin</i>	12.5%	1.56%	1.56%		1.56%	1.56%		18.75%
<i>Amil</i>	12.5%	1.56%			1.56%			15.63%
<i>Muallaf</i>	12.5%							12.50%
<i>Al-Riqab</i>	12.5%							0
<i>Al-Gharim</i>	12.5%						3.12%	3.12%
<i>Fisabilillah</i>	12.5%	1.56%			1.56%			15.63%
<i>Ibni Sabil</i>	12.5%							12.50%
<i>Lain-Lain</i> (Other category)				3.12%				3.12%
Total								100.00%

Source: Data from Jabatan Zakat Kedah (2003)

Based on this formula, four beneficiaries were receiving more of the *zakat* proceeds: *faqir*, *miskin*, *amil* and *fisabilillah*. In addition to the allocation to seven beneficiaries, under this new formula, the *zakat* is also distributed to another category known as the *lain-lain kategori* (other category). The *zakat* for this category is used to pay taxes, maintain buildings, and settle bills.

However, the other category was confusing to the Muslim public as well as to the auditor; consequently, in *Laporan Tahunan Zakat Tahun 2002–2004*, it did not appear again (Jabatan Zakat Kedah, 2005, pp. 24-25).

Notably, the aim of the KDoZ to separate the Other category from the *amil* expenditure was to reduce the total percentage of the *amil* expenditure. We might assume that the expenditure in the Other category was for administration and could be considered *amil* expenditure. By splitting it into two parts, the average *zakat* spending by the *amil* between 2000 and 2004 was about 13.5%, which was less than the allocated budget of about 15.6%. With this figure, public criticism was already reduced because previously, the usual expenditure by the *amil* was 20–24%. As pointed out by Abd Halim, Deputy Director of the Institute of *Zakat* Study of Malaysia, the administration of the KDoZ feels more comfortable now because the total expenditure by the *amil* is less

than the allocated budget (Abd Halim Mohd Noor, personal communication, February 23, 2006).

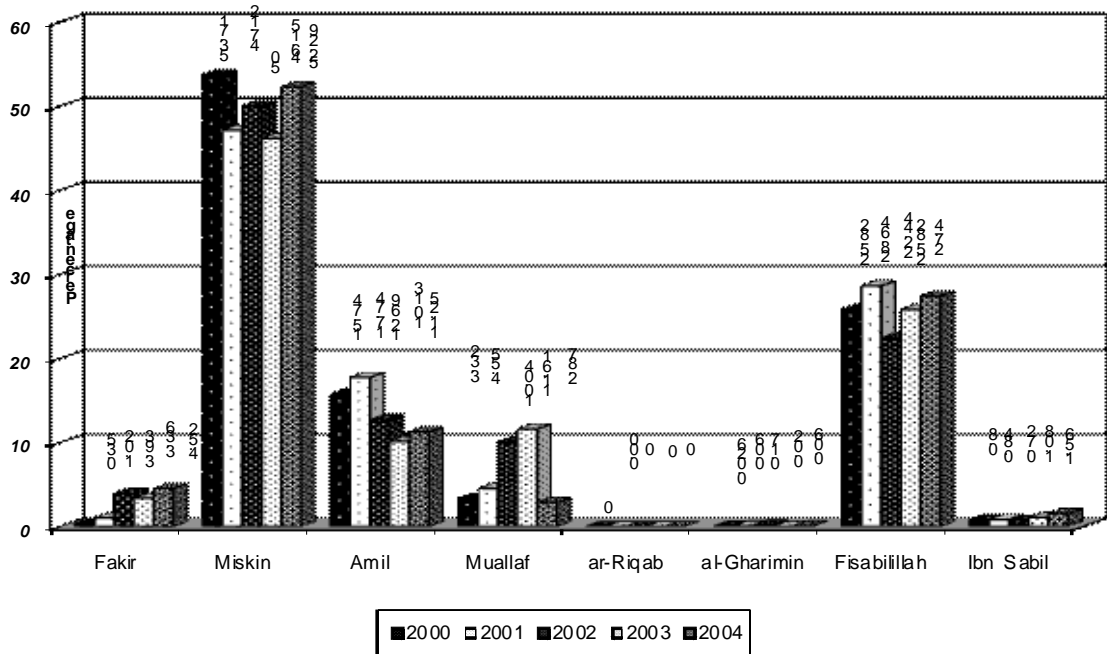
4.6.2 Zakat expenditure outside the approved budget

According to the distribution policy of the KDoZ, four beneficiaries – *faqir*, *miskin*, *amil*, and *fisabilillah* – were allocated a large proportion of the *zakat* proceeds, whereas *muallaf* and *ibn sabil* each received 1/8, and *al-gharim* received less than 1/8. Although the KDoZ allocated an equal amount of *zakat* to the *faqir*, *miskin*, *amil* and *fisabilillah*, in practice, more *zakat* was distributed to *miskin* and *fisabilillah*. For example, between 2000 and 2004, the average spending on the *miskin* was about 53.3% and on the *fisabilillah* 26%. In another round, the beneficiaries *faqir*, *al-gharimin*, *ibn sabil*, and *muallaf* were granted less than the allocated budget. It means that the *zakat* from these beneficiaries was used for *miskin* and *fisabilillah*. At the same time, spending for the beneficiary of *amil* was 13.5%, which nearly reached the 15.6% allocation in the early budget.

In this situation, there might be no harm in spending *zakat* in a way that is not in accordance with its early budget if there is no application for *zakat* assistance from the public. The most important thing is that the distribution of *zakat* proceeds to the beneficiaries is completed at the end of every year.

However, statistics shows that the average of *zakat* spending per year from 2000 to 2004 was about 75% of the total collected. It is clear, therefore, that the KDoZ does not manage to distribute all the *zakat* proceeds. According to the KDoZ, there are two factors contributing to this situation. First, the KDoZ received the *zakat* paid by the Muslim public only towards the end of December, in particular, the *zakat* from trading companies. If this is true, then there may not have been enough time to distribute the proceeds. Second, a certain amount of *zakat* is purposely reserved for distribution in the early months of the coming year, particularly for programmes for the *faqir* and *miskin*, as discussed above.

Figure 4.7: *Zakat* distribution according to *asnafs*



4.7 Inequality: sharing of *zakat* between rich and poor districts

Currently, it seems that the total *zakat* collected in districts dependent on rubber, such as Padang Terap (study area), Baling, and Sik, has been smaller than that of paddy production districts such as Yan, Pendang, and Kubang Pasu. However, the total *zakat*

collected in these districts was much lower than that of Kota Setar, Kulim and Kuala Muda, which have concentrated on business and industrial activity (see Table 4.6).

Table 4.7: *Zakat* collection by district (2006)

District	<i>Zakat</i> Collected (M\$)
Kota Setar	30,501,891.54
Kuala Muda	2,873,645.90
Kulim	1,297,716.99
Langkawi	710,507.10
Kubang Pasu	1,356,539.03
Bandar Baharu	147,815.33
Baling	439,815.30
Sik	153,204.33
Yan	1,051,868.96
Pendang	361,760.70
Padang Terap	181,968.00

Source: Data from *Jabatan Zakat Kedah, Kutipan Dan Agihan Zakat 2006 (Alor Setar, Malaysia: Jabatan Zakat Kedah), 3–13.*

As discussed earlier, all the *zakat* collected by either the headquarters or the branches must be transferred to the head office, where each contribution is recorded according to the payer's address. In the distribution of the *zakat*, not every district receives for the *asnabs* the same amount as was originally collected.

The KDOZ has no specific formula for the distribution of *zakat* to each district. According to current data, the amount of *zakat* spent by each district was not related to the amount collected in it. Table 4.7 shows that eight of the eleven districts in Kedah received *zakat* in excess of what they had collected. Interestingly, these districts include not only those based on rubber, such as Padang Terap, Sik, Baling, and Bandar Baharu, but also those based on paddy, such as Kubang Pasu, Yan and Pendang, and even Langkawi, which is well known as the tourism capital of Malaysia.

Table 4.8: Collection and disbursement of *zakat* by district (2006)

District	Amount collected (M\$)	Amount disbursed (M\$)	Difference (M\$)
Kota Setar and HQ	30,501,891.54	8,460,813.61	+22,041,077.93
Kuala Muda	2,873,645.90	2,596,404.51	+277,241.40
Kulim	1,297,716.99	1,368,685.13	-70,968.14
Langkawi	710,507.10	1,007,974.96	-297,467.86
Kubang Pasu	1,356,539.03	1,838,439.20	-481,900.17
Bandar Baharu	147,815.33	493,850.64	-346,035.31
Baling	439,815.30	1,490,161.51	-1,050,346.21
Sik	153,204.33	1,036,126.66	-882,922.33
Yan	1,051,868.96	1,263,822.34	-211,953.38
Pendang	361,760.70	1,485,801.47	-1,124,040.77
Padang Terap	181,968.00	1,142,689.41	-960,721.41

Source: Data from *Jabatan Zakat Kedah, Kutipan Dan Agihan Zakat 2006 (Alor Setar, Malaysia: Jabatan zakat Kedah), 3–13.*

4.8 *Zakat* assistance for capable poor

4.8.1 Self-Help Support (*Bantuan Jaya Diri* – SHS)

The KDoZ offers economic assistance to Muslims in Kedah who are willing to increase their income but require tools. This *zakat* assistance is provided in a programme known as *bantuan jaya diri* (BJD) or self-help support, available under *asnaf fisabilillah*.⁷¹ The

⁷¹ The *fisabilillah* is defined as *apa-apa usaha yang diterima menurut ugama Islam untuk kebaikan orang Isla'* (any effort that is acceptable in Islam for the benefit of Muslims [author's translation]). See *Peraturan Peraturan zakat Tahun 1982 (25 October 1982)*. Based on this definition, the BJD is not necessarily given only to poor people, for the non-poor are also eligible. However, the poor do have priority. The non-poor among the *muallaf* (Muslim converts), however, have the opportunity to apply for the BJD as a means of encouragement to them. See, *Jabatan zakat Kedah (1991, p.11)*.

At present, a large amount of *zakat* proceeds of *asnaf muallaf* are used for the administration of *Pusat Latihan dan Bimbingan Saudara Baru* (Centre for the Training and Guidance of Muslim Converts, PUSBA). The PUSBA is administered by the *Majlis Agama Islam Kedah*, although some expenses for the benefit of the *muallaf* were taken from the *zakat* proceeds of *asnaf muallaf* from the KDoZ. The *muallaf*

fisabilillah is defined as any effort that is acceptable in Islam for the benefit of Muslims (Jabatan Zakat Kedah, 1992). Based on this definition, the BJD is not necessarily given only to poor people, for the non-poor are also eligible. However, the poor do have priority. The non-poor among the *muallaf* (Muslim converts), however, have the opportunity to apply for the BJD as a means of encouragement to them.

The SHS programme was initialized in 1986. However, modal distribution assistance has been long practiced. It started to get attention by the KDoZ from the year 1973. At this time, the assistance was known as '*bantuan modal*' (Jabatan Zakat Kedah, 1974, p. 13).

Muslims who need this assistance may apply in writing to the head office of the KDoZ. The Secretary will then ask the District Zakat Officer to prepare a report on the applicant's background. Among the factors considered is the applicant's relevant experience. The KDoZ places no limit on the amount of assistance given. Although officially the KDoZ does not limit the amount of SHS, in practice, however, the limit is M\$6,000.00 (£1224.50). This is evident from the fact that between 2000 and 2004, no recipient of SHS was given more than M\$6,000.00 (Jabatan zakat Kedah, 2003, p. 22).

4.8.2 After 2003: the influence of *Bersamamu* TV3 .

The number of *zakat* programmes was further increased after 2003. This expansion was influenced by the System Television Malaysia Berhad, known as TV3, which broadcast a programme called *Bersamamu* TV3, or *Together with You* TV3 in 2003. *Bersamamu* TV3 depicted the plight of those living in poverty and suffering from ill health. The programme provoked the public into questioning the effectiveness of the assistance given by government agencies including the *zakat* from the *Majlis Agama Islam Negeri*. NGO agencies such as the *Majlis Kanser Negara* (National Cancer Council – MAKNA) and the private sector also contributed to the assistance instead of the states' *baitumals* (Che Omar Awang, personal communication, February 19, 2006).

In response, the KDoZ introduced new programmes that were more oriented to helping those *faqir* and *miskin* people suffering from ill health. Before 2003, the KDOZ

who attends the training is given an allowances of M\$300.00 (£61.22) per month for three months. See, Jabatan zakat Kedah (2005, p.26).

had a haemodialysis machine in the General Hospital in Alor Setar for the benefit of the public and especially for the *faqir* and *miskin*.⁷² After 2003, KDoZ offered two more programmes for those in need of medical treatment. The orthopaedics equipment assistance, for example, is offered to those patients whose application is approved by the KDOZ. The KDOZ will buy the equipment as recommended by a doctor. Today, the KDOZ will pay sickness benefit of up to M\$300 per month to patients in need.

Following the provision of finance and medical equipment, in 2003, the KDOZ introduced monthly food assistance for the *faqir* and *miskin* heads of households in poor health. In Padang Terap, the *Zakat* Officer gives priority to those over 40 years old. In this programme, a food package worth M\$100,00 is given every month to the sick head of the household. The difference between the *faqir* and *miskin* is that the *miskin*'s monthly income is lower than M\$350 compared with the *faqir*'s M\$250

The development of new *zakat* programmes clearly shows that it was linked to the increase in the *zakat* collected. However, the impetus to introduce new programmes came from the public from either comments made by *zakat* payers or the media. Although there is a wide range of programmes available, their focus is on those who cannot work because they are elderly, physically ill or widowed.⁷³

4.8.3 Investment in real estate

In 1960, the *Zakat* Committee used a reserve fund to buy a Muslim's paddy field, which was auctioned because of the farmer's inability to repay a loan from Chinese shopkeepers and an Indian money lender. To prevent the land from going to non-

⁷² The problem with this programme is that it has not been recognized by the public. Notably, the programme is similar to the Haemodialysis Centre provided by the *Baitulmal*., This institution allocated and continues to maintain a special building for those facilities..

⁷³ According to Al-Qaradhawi, another group of people who are eligible for *zakat*, owing to their inability to earn their living, are orphans. The KDOZ, however, does not support orphans because, according to Dato' Ghazali, they are not included in the beneficiaries of *zakat*.

Nevertheless, at the federal government level, the idea of giving *zakat* to orphans was accepted by the JZWH. In the seminar *Perincian Asnaf Penerima Zakat*, conducted by the JZWH in 2005, a resolution was passed to support the poorest as emphasized by Dato Mokhtar bin Shafii. Members of JZWH consultancy pointed out that orphans may receive *zakat* if they have no parents, are under 18 years old, have no income or property, and have no relatives who, according to the Shar'ah, should look after them. See, Mohd Mokhtar bin Shafii, "Asnaf Fakir Dan Miskin", in *Seminar Perincian Asnaf Penerima zakat: Pematuhan Hukum, Konsep dan Aplikasi Dalam Konteks Kontemporari* (Hotel M Suites, Johor Bahru: 2005), 15.

bumiputera, the KDoZ Kedah bought it and rented it to the previous owner or other farmers (Hamid Ahmad, personal communication, January 7, 2006). Currently, the KDoZ owns about 600 *relong*⁷⁴ (172 hectares) of paddy field in Kota Setar, Kubang Pasu, Yan and Kuala Muda. At present, tenants have to pay between M\$280.00 and M\$300.00 per *relong* per month to the KDoZ. Proceeds are used to pay land tax to the Land Office.

During the 1960s, the KDoZ used the reserve fund not only to buy paddy fields but also other types of properties, particularly vacant land and buildings, including this site. By the end of 1970, the total assets owned by the KDoZ was M\$352, 743.53 (£71,988.48), which was about 4% of the total *zakat* collected between 1960 and 1970. Since the KDoZ invested in various properties, in 1968 a committee was established by *Jabatan* to investigate this use of *zakat*. The committee was called the *sekolah agama, bangunan zakat dan beli harta* (Small Committee for Mosque Construction, Religious Schools, *Zakat* Buildings, and the Purchase of Property) (*Jabatan zakat* Kedah, 1971).

In 1987, the KDoZ construct a building consisting 11 floors; whereby 3 of them is used as Head Quarters. The remaining office space is rented to the Department of Employees Provident Funds, the Department of Housing, Department of Environment, Department of Evaluation, and Ministry of Education. Other facilities include a conference room and a banqueting hall, which are also rented to the public. Statistics show that the total income from renting space and facilities from 1992 to 2004 was about 9% of the total *zakat* collected. Between 1992 and 1999, however, it had contributed about 13%. The reduced percentage was due to an increased collection of *zakat al-mal*. In 2004, the total income from this type of investment contributed about 5% of the total *zakat* collected. Although the percentage is decreasing, it is still bigger than the rents collected from the tenants of paddy fields, which contribute about one percent (*Jabatan Zakat* Kedah, 2005, p. 11).

Based on the experience of the *Menara Zakat* development the KDoZ started to buy property, particularly business units, in every district. Some of the business units became district KDoZ offices and the rest were rented to other agencies. In 2004, the

⁷⁴ Malay measurement. One *relong* equals 0.28 hectares.

rents collected from the tenants of these buildings was about one percent, which is the same as the rents collected from the tenant farmers of paddy fields.⁷⁵

4.8.4 Investment on fixed deposit

Besides investment in physical property, the KDoZ invested in share and fixed savings accounts. In 1961, the KDoZ placed M\$100,000.00 (£20,408.16) in fixed deposit accounts in the United Malayan Bank, and by 1968, about it had increased to M\$1,884,000.00 or £384489.80 (Jabatan *zakat* Kedah. 1963; Jabatan *zakat* Kedah, 1970).

After the riots of 13 May 1969, the KDoZ annually invested around M\$300,000 (£61224.50) between 1971 and 1975 in the Amanah Saham MARA (MARA Unit Trust) to support the federal government's effort to reduce economic inequality between the Malays and the Chinese. However, in 2005, the KDoZ revised its investment policy. The KDoZ would not invest in any shareholdings because of the loss of its investment in Amanah Saham Kedah (Kedah Share Trust) (Ghazali Yaacob, personal communication, January 24, 2006).

Although the KDoZ has not highlighted its investments in fixed deposit accounts, this practice continues. As pointed out by the Jabatan Audit Negara (Department of National Audit), the total investment of *zakat* in six financial institutions was M\$26.87 million (£5,483,673.47), and M\$0.51 million (£104,081.63) in Trustee Share of Bank Islam (Saham Amanah Bank Islam) (Malaysia National Audit Department, 2004). The KDoZ has revised its investments owing to criticism from the public.⁷⁶ Currently, the BIMB allows the KDoZ to withdraw money at any time, and the

⁷⁵ Total collection is M\$ 257.712.00. This also includes rent collected from sixteen commercial units in Kuala Muda.

⁷⁶ The practice of investing in fixed savings accounts has provoked different responses from various states' *Majlis Agama* (State Islamic Affairs Council, MAINs) as well as from Jabatan Kemajuan Islam Malaysia (Department of Islamic Development Malaysia, JAKIM). For the, The 34th meeting of Majlis Fatwa of Wilayah Persekutuan held on 12 December 1995 allowed the Majlis Agama Wilayah Persekutuan (MAIWP) to invest the *zakat* money in any activities that either directly or indirectly benefited the poor. However, investments of the surplus *zakat* were to be made only after the distribution to all *asnafs*. The Majlis fatwa also emphasized that the investment in fixed deposits could be made on a short-term basis, and must be taken out if required.

However, in Perlis, the Shari'ah Committee of Perlis did not allow the *Majlis Agama Islam Perlis* (Perlis Islamic Affairs Council– MAIP) to invest *zakat* in any financial institution. The same

fixed investment plan has changed from a twelve-month to a six-month basis (Ghazali Yaakob, personal communication, January 24, 2006).

4.9 Conclusion

The KDoZ is a *zakat* body directly controlled by His Highness the Sultan. One of its advantages is that it is less influenced by politics. However, this advantage does not contribute to achieving an efficient collection of *zakat*, especially *zakat* on paddy . In accordance to that, this chapter explains the system and organization applied in Kedah Department of *Zakat* as well as the bureaucracy involved.

Moreover, to understand more on the system applied in Kedah, the geographical setting and socio-economic information are very crucial in this chapter. This is due to the fact that KDoZ still focuses on collecting *zakat* on paddy , although the majority of the farmers live in poverty. Therefore, this chapter also explained how the agricultural sectors involve with the incident of poverty especially those who live or involve in rubber and paddy plantation area.

Chapter 4 also describe and examine the *zakat asnaf* and its distribution system. Lastly, this chapter ends with the explanations on *zakat* assistance for capable poor offered in KDoZ; Self-Help Support (SHS), investment in real estate and investment of fixed deposit.

opinion was given by the JAKIM, which stated that *zakat* from rich people nowadays should be used for poor people, and *zakat* from a rich man in the future could be used for poor people in the future. See, JAKIM, op.cit., 57.

The Shari'ah Committee of Perlis decided that all the balance of *zakat* must be used in four ways: (1) If the *zakat* distribution was done properly but still there was a surplus, it should be carried forward to the coming year. (2) Increased amounts of *zakat* should be given to *fakir*, *miskin* and *fisabilillah*. (3) Expanding the concept of *fisabilillah* by increasing assistance to Islamic religious schools, Qur'anic teachers and so on. (4) Improving *zakat* distribution to *fakir* and *miskin* such as establishing factories, where the poor might gain benefit from these investments in the long term. See, JAKIM (n.d.)

Chapter Five

Research Design and Methodology

5.0 Introduction

This chapter discusses the step-by-step research approaches adopted in order to achieve the aims of the study. This chapter also discusses the methodological approach to the research process, the data collection and the data analysis for the study. It also explains in detail the tools and techniques used in the process of data collection. The limitation of the study will also be addressed in this chapter.

5.1 Case study approaches

5.1.1 Explanatory case study

This study employs a case study method guided by explanatory strategy and enables researchers to closely examine the data within a specific context. Yin (1989) defines the case study research method “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used” (p. 23). This means that the case study method allows the researchers to explore, comprehend and analyze data in detail within a specific context. In general, there are three categories of case studies, namely; descriptive, exploratory and explanatory. The explanatory case studies involve examining the data closely both at a surface and a deeper level in order to explain certain phenomena in the form of data. Furthermore, explanatory cases are also deployed for causal studies where pattern-matching can be used to investigate certain phenomena in very complex and multivariate cases. For those reasons, a case study has been employed because it allows me to examine and explain the phenomena that cause the KDoZ not to emphasise the distribution of economic assistance for the poor with the capability to work, especially among those who are involved with the rural agriculture sector.

The case study is suitable to be implemented when the questions asked in research questions start with 'why' and 'how' (Yin, 2003). This type of question enables the researcher to conduct research in order to increase understanding and comprehension relating to the matter being researched. Due to this, the case study research concerns findings rather than validates a theory.

5.1.1 Justification for the selection of the Kedah Department of Zakat

The case study design employed is the single case-embedded approach. This design means that a single case has been selected, using multiple units of analysis. The single case has been chosen over multiple case designs because of the need to explore in detail the experience in the distribution of economic assistance. This is because the *zakat* distribution experience differs from one state to another. Therefore, this study is less concerned with generalisation but is likely to extract unique experience by each MAIN. Only when the generalisation becomes the focus of the study that the multiple case design shall be considered.

Yin (2003) said that a single case study is suitable to be undertaken if the case represents a 'unique case' (p. 40). The uniqueness of the KDoZ is reflected through its organisational and administrative structures, which are different from other MAINs. Of the many organisations related to religious matters in Kedah, the KDoZ is one of four organisations which are under the Sultan's direct rulings and regulations. Other four organisations are MAIN of Kedah, Kedah Islamic Religious Department, Office of the Mufti and the Shari'ah Court. This differs from other MAINs, *zakat* were administered by *baitulmal* (unit of treasury), a unit established under each MAIN. Other units that are under the MAIN include the *wakaf* department and mosque management. In regards to the KDoZ, the Sultan is the key observer who monitors fully every matter relating to *zakat* management. Every programme has to be reported to the Sultan before any of the programmes is approved. On the other hand, with other *baitulmals*, decisions are made based on a committee and are not required to be reported to the Sultan for acknowledgement.

There are two reasons for the selection of the KDoZ as a case study;

1) The KDoZ is among the earliest *zakat* institutions to implement economic programmes with the aim to assist the poor from the rural sector.

Since the 1960s, the KDoZ has provided employment opportunities to the poor. The KDoZ also bought paddy fields and stalls to be rented to the poor. In addition, the KDoZ has also provided capital assistance. The effort to strengthen the provision of capital assistance started in 1986 where the KDoZ had prepared the SHS programme. Firstly, though the implementation has been carried out for over twenty years, there are phenomena that need to be researched and improved. For example, the number of recipients for capital assistance has not increased much. This can be seen through the number of recipients which are around 100 people since 1990. Secondly, there is also no improvement in the distribution of money given for economic programmes, which is considerably little at M\$ 150,000 annually though the amount of *zakat* collected every year increases. Although this phenomenon also occurs in other MAINs, the other MAINs started the program much later than the KDoZ. As an example, Kelantan started this programme to provide this type of assistance in 2008 (Majlis Agama Islam Kelantan, 2010). In relation to property investments, it has been observed lately that investments in property are more focused towards the development of commercial and office buildings. These spaces are then rented out to private governmental agencies, giving the hardcore poor and poor people a lesser chance in getting involved in the stated type of investment activity.

2) Kedah is among the poorest states in Malaysia

In the 9th Malaysia Plan (Malaysia Economic Planning Unit, 2005, pp. 356-365), the state of Kedah has been listed as the third poorest state in peninsular Malaysia after Kelantan and Terengganu. The poverty rate in Kedah is 7% after Terengganu (15.6%) and Kelantan (10.6%). Although the poverty rate in Kedah is lesser than Kelantan, the MAIMK has not been chosen as the case study because does not use the *zakat* collection for investment activities, especially in the land and property sectors. Therefore, the MAIMK has not been chosen because the selection of Kelantan as a case study will not be able to provide answers to the questions that have been outlined.

The MAIN of Terengganu has also not been chosen because the economic assistance programme is more focused towards capital assistance only. On the other hand, the use of *zakat* collection for investment that can provide a lot of employment opportunities has not been executed. Therefore, choosing Terengganu as a case study will also not be able to provide answers especially to research question number 5.

In a single case study design, the research is undertaken by using an embedded case study. An embedded case study design gives focus to the complexity of events or phenomena in that particular case (Yin, 2003). In this study, the main purpose is to identify the perception of respondents from different levels in organisational structure of the KDoZ. Therefore, the multiple units of analysis that are researched in single-case study involve 1) the perspectives of the committee members of the KDoZ; 2) The perspectives of the executive officers of the KDoZ; 3) The perspectives of the District *Zakat* Officer.

5.2 Data collection method and procedure

The study adopts a mixed method approach which combines both the quantitative and the qualitative approaches. A mixed method approach is an approach where a researcher tends to base his or her knowledge claims on pragmatic ground, for example, problem centred. The inquiring strategies applied can either be collecting data concurrently or sequentially to best understand the research problems. The ‘mixing’ with reference to mixed method can occur at all stages of the research. This means that mixed method research is not only referring to the data collection stage and analysis, but it also includes the type of research questions to be used, philosophical paradigms and theoretical assumptions (David, 2009, pp. 206-207; Greene, 2007; pp. 116-117).

For the purpose of this study, the design of mixed method is used to fit into the research questions. The quantitative and qualitative approaches are employed to provide an answer to research questions number 1, 2, 3 and 4. The quantitative approach was conducted at first. The quantitative approach is used to explain the relationship between awareness and factors such as district rate *zakat* collection, the number of years that a respondent receive his or her *zakat* and the distance. In addition, it is also used to

identify factors for their level of interest in capital assistance. Then the finding from quantitative was verified by qualitative approach. The qualitative approach also is employed to provide answers to research questions numbers 5, 6 and 7. At this stage, the interview process is supported by observations and document searches as main instruments of data collection. On the whole, the qualitative approach is the main method employed for this study.

5.2.1 Data collection procedure

The data collection was conducted in two stages. The first stage was undertaken between December 2005 and March 2006. The purpose of the first stage of the data collection was to carry out library and archival research in Malaysia. For this preliminary data collection exercise, the library search was conducted at the International Islamic University Malaysia, the National University of Malaysia, the University of Malaya, the Malaysian Institute of *Zakat* Studies (IKaZ) and the Kedah State Library. The archival research was conducted at the National Archives of Malaysia (ARKIB) in their main headquarter as well as in state of the Kedah Branch. The documents found include seminar papers on *zakat* management in Malaysia, technical reports and annual reports of the KDoZ dated from 1956.

The second objective of the first stage is to meet the experts in *zakat* and poverty research in Malaysia. The purpose of the meetings is to validate the suitability of the KDoZ as a case study. The meetings were also aimed at obtaining the experts' opinions on the needs to carry out the research based on the research questions that have been outlined. The three experts were referred to were Mohd Ali Baharom of National Co-operative organization of Malaysia (ANGKASA), Abdul Halim Mohd Noor from Institute of *Zakat* Study of Malaysia (IKAZ) and Che Omar Awang of Department of Waqaf, *Zakat* and Hajj of Malaysia (JWZH). The three respondents gave positive responses regarding the suitability of the KDoZ as a case study based on the research questions. For research on poverty, a meeting was held with Ungku Abdul Aziz Ungku Abdul Hamid who was one of the earliest Malaysians to conduct research on the issues of poverty in Malaysia. He gave a positive response regarding the need to study the

phenomena which contribute to the ineffectiveness of *zakat* in improving the economy of the Malays.

The third objective is to create rapport with the interviewees through interviews. In the first place, rapport allows the interviewee to know the researcher and research study, in addition to gathering data. The existence of rapport between interviewee and the researcher is required in order to reduce apprehension while enabling trust and connection to be built (Glesne, 1999). The implication is the willingness of a respondent to provide a more in-depth information without the interference of the researcher, whereby in this exercise, the rapport between interviewee and researcher has begun prior to the researcher's travel to Malaysia. As the researcher, I had begun initial communications through telephone and email, where most appointments were scheduled prior to my arrival in Malaysia. While in Malaysia, I obtained cooperation from the following officers 1) Abdullah Ibrahim – a Committee member of the KDoZ, 2) the Secretary of the KDoZ, 3) the Assistant Secretary of the KDoZ, 4) the Assistant Officer of Information of the KDoZ, 5) the *Zakat* Distribution Officer of the KDoZ, and 6) the District *Zakat* Officer.

The second stage is the actual data collection stage. The survey was undertaken between January and February 2009 while the interviews were conducted beginning from March to June 2009.

5.3 Instruments for data collection

5.3.1 Questionnaire

A questionnaire is essentially a structured technique for collecting primary data. It is generally a series of written questions for which the respondents have to provide the answer. The survey form is a set of questions developed and distributed to the respondents for them to answer. A survey is a suitable data collection method when the researcher knows exactly the needs of the respondents and how to certify the variables being researched (Sekaran, 2003). Questionnaire is a method of data collection that is most widely used in social research (Blaxter et al., 2006). It is generally a series of

written questions for which the respondents have to provide the answer. This definition illustrates that the questionnaire is a set of questions asked to the respondents with the purpose of getting feedback from the required subjects. Based on this definition, this method has been selected as the approach for the purpose of data collection. The questionnaire was then distributed to the receivers of the AMA. The questions focus on the respondents' perspectives on the SHS. Responses from the respondents through the questionnaire should be able to provide answers to the research questions for number 1, 2, 3 and 4.

In conducting the data collection through the questionnaire method, this study adopted the mode of personal interview instead of mail questionnaire and telephone survey. The mail questionnaire mode is not adopted due to the consideration of low response rate. This is because of difficulty in answering the questions by the respondents as many of the poor people have a low level of education. Other than that, the respondents may feel reluctant to answer as they may feel that the KDoZ will stop providing assistance. This predicted situation is the cause for the exclusion of the mail questionnaire method even though this method has many advantages such as low cost, reduction in bias and error and is suitable for a wide geographic of area.

The next sub-section will discuss the procedures involved in conducting and the analysis of the questionnaire data.

5.3.3.1 Developing the questionnaire

The questionnaire is divided into three sections (Appendix 'A'). Section A is designed to collect socio-demographic data characteristics of the respondents. Demographic data is needed because the data is expected to influence awareness of respondents towards the SHS. Furthermore, the data obtained from this part could be used to establish the impacts of respondents' answers on other parts of the questionnaire. Questions, such as district of origin, income, marital status, occupation and education of the respondents, are included in this part. Information on the district of origin of the respondents is a nominal data that maps the location of the respondents' residence in the state of Kedah. This information is needed in order to classify the respondents into two main categories

which are 1) respondents who live in the districts with a high *zakat* collection and 2) respondents who live in the district with a low *zakat* collection. The data gathered on the levels of income will show the distribution of respondents according to the different categories, which are hardcore poverty, poor and non-poor. This categorisation is based on the literature review in Chapter 2 of the thesis which shows the categories of people with monthly incomes of below M\$ 415 as the hardcore poor, M\$ 416-690 as poor and M\$ 691 and above as non-poor. This type of data is ordinal. Another data that is also ordinal is the education background. The education background is divided into four classifications: never had any formal education, attended primary school, attended secondary school up to Form Three and attended secondary school up to Form Five. The nominal data are obtained from age, marital status and type of employment.

Section B is divided into two sub-sections. The objectives of Section B are 1) to get information on the background of the AMA, 2) to discover if the respondents agree on the medium of getting information on the *zakat* assistance, and 3) to identify the respondents' awareness of the existence of the SHS. Section B(1) contains the year of *zakat* reception and the distance of their houses to the KDoZ branch office. The years of *zakat* reception are classified into three which are prior to year 2000, year 2001-2004 and after 2005. This classification is based on the literature review in Chapter 4 of the thesis. The following questions require the respondents to inform the distance from their houses to the KDoZ branch office. Data gathered for questions 1 and 2 are ordinal data. Section B (2) contains questions pertaining to the respondents on whether they have read the *zakat* report, or the pamphlet, and their perceptions as well as to identify their access in getting information on *zakat*. There are six questions which include whether they have received information on *zakat* assistance from *zakat* reports, pamphlets, *zakat* officers or *imams*.

Section B (3) requires respondents to give feedbacks on their awareness on the existence of the SHS programme. There are two options in answering the questions which are 'yes' and 'no'. The option for 'uncertain' is not provided in order to avoid respondents from not answering the question clearly. The next question under this section requires the respondents who know of the existence of the SHS to give

feedbacks whether they have experience in asking for the assistance. If they do, subsequently they are asked to state the status and year of application.

Section C is divided into two subsections. The first question requires respondents to state their interests in applying for the SHS programme. The interested respondents are then asked to answer the questions in Section C (1). On the other hand, those who are not interested are asked to proceed to Section C (2). The main objective of Section C (1) is to identify the factors that motivate for them to apply for the SHS programme, namely current *zakat* assistance received, current income, current occupation, potential and skills, motivation, and deterrents. From these six factors, there are 27 items that are asked to the respondents. The feedbacks to the items are based on the Likert scale with one end of the scale as “Totally disagree” to the other end of the scale as “Totally agree”. “Totally agree” is given the value of 5, “agree” as 4, whereas the answers “disagree” and “totally disagree” are given the value of 2 and 1 respectively. The items are asked in the positive form. In this section, the respondents are also required to give feedbacks on the type of economic activity that they want to get involved in as well as the amount of capital needed.

Finally, Subsection C (2) questions respondents on their perceptions towards the constraints in applying for the SHS. There are five themes which are current *zakat* assistance received, current income, motivation, and deterrents. There are 21 items from the five stated themes. The feedbacks to the items are scaled based on the Likert Scale as discussed above. All items are asked in the positive form of questions.

5.3.3.1.1 Translation

Every respondent uses the Malay language as their medium of communication. Therefore, it is necessary to translate the questionnaire into the national language of Malaysia, Bahasa Malaysia. In translating a questionnaire, it is important to ensure that the local language of the questionnaire matches the original language accurately. To achieve precision, she suggests a back translation (Sekaran, 2003). In the case of this study, a back translation means that the original questionnaire, which is constructed in English, is translated into the Malay language by a local expert. Then, the local version

of the questionnaire will have to be translated back into English by another bilingual. Through this method, the vocabulary of the translated version is ensured. Another option is a one-shot translation by a translator who is well-versed in the area. This is better than back translation which uses two bilinguals who are not familiar with the area under study. The second alternative was selected due to the need to preserve the meaning of the questionnaire rather than its literal meaning, and also due to financial constraints.

5.3.1.2 Population, sampling procedure

The selection of respondents for this survey is based on a list of AMA recipients in the year 2007. The total number of AMA recipients is 11,580 (Jabatan *Zakat* Kedah, 2008). However, the study only focuses on respondents aged less than 55-years-old because they are a productive group. The type of assistance that should be given to them is the SHS instead of the AMA. It has been found through the sorting process that 9470 recipients are less than 55-years-old.

In designing the sample frame, the precision of sample estimates and the probability desired need to be defined earlier by establishing the confidence level and confidence interval. Most social science studies employ the 95% confidence level. Determining the sample size is based on statistical theories. When determining sample size needed for a given level of accuracy or to determine the general level of accuracy of a sample we already have, the worst case percentage of 50% should be used. For this study the calculation for sample size uses developed by Cochran (1963, p. 75) is as follows:

$$N = \frac{Z^2 pq}{e^2}$$

where:

Z^2 = is the x value of the Standard Normal curve that cuts off an area equal to 1-confidence

P = the estimated proportion of an attribute that is present in the population
(0.5 – maximum variability)

$$Q = 1-p$$

e = desired level precision

The resulting sample size required is:

$$no = \frac{1.96^2 (0.5)(0.5)}{0.05^2}$$
$$no = 384$$

The above equation is used if we assume the total number of resident is big and we do not know the exact number of population. However, the population of this study is already known: 9470 receivers of the SHS below 55-years-old. The sample size can be reduced using the formula below:

$$n = \frac{no}{1 + \frac{(no - 1)}{N}}$$

The sample size that would be for this study then is:

$$n = \frac{9470}{1 + \frac{9470 (0.0025)}{1243}}$$
$$n = 384$$

However, in order to reduce sampling error or inaccurate measurements due to poor procedures during the survey or incomplete information obtained from the sample size, this study was conducted based on population with more than the determined sampling figure which are 406 samples. To assure a sample of the required size, I decided to carry out an extra sampling size which is 406 samples. The total number of respondents of 406 is about 4.2 % from the total *zakat* recipients. This means that from the list, respondents' numbers 24, 48, 72 and so on will be selected. The sample

selection is done by dividing population into groups of 24. The samples are then randomly selected, whereby the researcher draws lots from each group to ensure equal chance of selection for the entire population. The size of the sample is large enough to have a probability of 95% with a confidence level of plus or minus 5%.

For this study, a cluster random sampling is used to select sampling from the target population. According to Shamsuri (2004), cluster random sampling is recognised as sampling that is applied when the target group are composed of many different groups. Alho and Spencer (2005, p. 15) state that cluster sampling refers to sampling that divides a group of individual elements into clusters and samples the clusters. The clusters may be geographic or institutional or derived in other ways. In reference to this study, the target population is from eleven districts of Kedah. In addition, according to Lehtonen and Pahkinen (2004, p. 70), cluster sampling has a low cost of data collection per sample element in which it is suitable to apply to populations that have a large regional spread. In this case, sampling that refers to recipients of AMA is selected from eleven districts in Kedah. A sample was then randomly chosen from a list of each district. The total number of samplings from all districts represents the determined number of sample size, which is 406 samples.

Table 5.1: Distribution of respondents according to districts

Districts	Total population	%	Total respondent
Kota Star	2355	24.9	98
Kuala Muda	1136	12	48
Sik	655	7	29
Baling	701	7.4	30
Kubang Pasu	986	10.4	42
Pendang	799	8.4	34
Padang Terap	603	6.4	27
Yan	781	8.19	33
Bandar Baharu	217	2.3	11
Kulim	663	7	29
Langkawi	574	6.1	25
Total	9470	100	406

Source: Jabatan Zakat Kedah, 2008

Based on the numbers presented in Table 5.1, the highest sample size comes from the Kota Star district with 24.9% consisting of 98 respondents. Meanwhile, the lowest sample size comes from Bandar Baharu with 2.3% covering eleven respondents. The large and the lowest numbers of sample size is derived from the total number of population in the district.

5.3.1.3 Pilot test and refinement of questionnaire

Among the purpose of a pilot study is to improve the the design of questionnaire, to test the reliability and appropriateness of the questionnaire, and to estimate the time needed to complete the survey. The pilot study was conducted in December 2008 with a total number of 32 respondents from the district of Kota Setar.

The reliability coefficient used in this study is Cronbach's alpha. Cronbach's alpha is a reliability coefficient that reflects how well the items in a set are positively correlated to one another. Relative to other measures such as split-half, Cronbach's alpha is by far the most popular and superior technique for estimating internal consistency (Sekaran, 2003). Internal consistency also known as the estimate of homogeneity, is a measure that assesses the degree to which the item used is internally consistent with other items comprising the scale. Generally, the realibility coefficient of 0.7 and above are considered more than acceptable for most behavioural science applications (Nunnally, 1978). However, even if the Cronbach's alpha value is between 0.4 and 0.6, which is considered low in practice, these values are nevertheless acceptable for research purpose (Hinkin, 1995).

Based on the Cronbach's alpha, the overall realibility of the scores obtained for motivators factors is 0.732. The various sections of the questionnaire have realibility coefficient scores as follows:

Table 5.2: Motivators factors of inclination towards applying the SHS

Factors	Item no.	Cronbach's alpha if item deleted
Existing <i>zakat</i> assistance received is insufficient to serve as capital	1	0.702
Existing <i>zakat</i> assistance received is only sufficient to cover basic needs	2	
Existing <i>zakat</i> assistance received is not enough to help me escape from poverty	3	
I am not interested in receiving <i>zakat</i> assistance for the rest of my life	4	
I want to change my status from receiver to <i>zakat</i> payer	5	
My current income is only enough to cover basic needs	6	0.738
My current income is not enough to improve my quality of life	7	
My current income is not enough to help me escape from poverty	8	
My current job is not promising for the future	9	0.691
I do not see any other job opportunity in this area	10	
I want to work independently	11	
My current job is not suitable for my health and age	12	
I need to have a part-time job to increase my income	13	
I see many opportunities for economic activity in this area	14	0.712
I have skills with the potential to be developed	15	
My family members have skills with the potential to be developed	16	
My current job has the potential to be improved but requires for large amounts of capital	17	0.712
I am willing to take the risk of leaving my current job	18	
I have a friend who succeeded after receiving the economic assistance	19	
There is a government agency that offers to help if I start the economic activities	20	
I will get support from my friend and families if I fail	21	
I am confident that sufficient economic assistance will increase my family income	22	
Give a better education to my children	23	
Provide comfortable house for my family	24	
Have no critical health problems	25	0.659
Have no family members that need full attention	26	
Have no problem with transportation	27	

Source: Primary Survey, 2009

Based on Table 5.2, the reliability coefficient scores for each section can be considered acceptable since the Cronbach's alpha values are more than 0.6. Thus, the items show a high level of reliability with each other. Because of that, all the questionnaire items are acceptable and none will be eliminated.

Based on the Cronbach's alpha, the overall reliability of the scores for constraint factors obtained is 0.745. The various sections of the questionnaire have reliability coefficient scores as follows:

Table 5.3: Constraint factors in applying for SHS programme

Constraint factors	Item no.	Cronbach's Alpha if item deleted
Existing <i>zakat</i> assistance received is sufficient to serve as capital	1	0.789
Existing <i>zakat</i> assistance received is sufficient to cover basic needs	2	
Existing <i>zakat</i> assistance received is less risky rather than capital assistance	3	
Existing <i>zakat</i> assistance received is given continuously compared to capital assistance	4	
<i>Zakat</i> assistance in monetary form is better compared to other types of assistance	5	
Amount of my current income is sufficient	6	0.857
Amount of my current income is sufficient to help me escape from poverty	7	
I already have a job that will guarantee my future	8	
Less opportunity for me to become involved in economic activities in this area	9	0.889
No economic activities that suit my interest	10	
Profit from the economic activity is slow	11	
Profit from economic activity is not guaranteed compared to my current salary	12	
I am not willing to take the risk of leaving my current job	13	0.875
I have a friend who became poorer after receiving economic assistance	14	
No SHS <i>zakat</i> assistance receiver succeeded in my area	15	
I do not have friends or families who are willing to help if I fail	16	
Current income is sufficient to provide good education for my children	17	
My current shelter is already comfortable	18	
I have critical health problem	19	0.750
I have a family member who needs full attention due to health problems	20	
I have transportation problems	21	

Source: Primary Survey, 2009

Based on Table 5.3, the reliability coefficient scores for each section related to the constraint factors in applying for the SHS programme also can be considered

acceptable since the Cronbach's alpha values are more than 0.6. Thus, the items show a high level of reliability with each other. Therefore, all questionnaire items related to factors influencing the inclination towards the SHS programme are acceptable and none will be eliminated.

Other findings from the pilot test include:

- Many respondents were reluctant to answer the questions as they may feel that the KDoZ will stop providing assistance. The approach I had adopted to develop confidence was by asking questions from Section 'C', followed by Sections 'B' and 'A'.
- The respondents understood the questions outlined or posed to them.
- The average total time of each questionnaire survey was 20 minutes.

5.3.1.4 Data input, reliability and validation, analysis

The data gathered from the survey were analysed using The Statistical Package for Social Science (SPSS) Version 13.0 for Windows. SPSS was used because of the applicability of this package as a tool for quantitative analysis. Data in this study is represented through two types of presentation methods, which are the descriptive data analysis and inference statistics as follows (refer Appendix 'B' for raw data):

a) Descriptive data analysis

The descriptive statistics, also known as nonparametric statistics deals with nonparametric data. The descriptive data analysis presents a simple and straightforward form such as through table of frequencies, bar graphs, charts, proportion ratios and others (Berg, 2004). Through the use of a descriptive method, variables related to respondents' background, such as age and mean of income and respondents' occupation, can be presented in a form of a table of frequencies so that it can show the general social profile of the selected population. Moreover, the use of descriptive analysis provides a summary for the sample and its related variables. Descriptive analysis also allows the

study to describe the characteristics of the sample and analyse subject that are available from the data collected. It is essential to use the descriptive method of data analysis to explain and present the background of sampling before discussing further details related to the research topic.

b) Inference statistics

The second method used to analyse data is inferential statistics. In general, inferential statistics is used as a method to test a hypothesis or to make generalisations from a sampling that can represent the population. In other words, inferential data analysis allows the study to form a conclusion beyond the data collected from the sample. Through the use of the SPSS software, the study draws inferences, makes predictions and tests the significance of independent variables.

In order to test relationships between non-parametric data, a spearman rho and a Chi-square test were made. Non-parametric data is data that cannot be measured where it has no parameters, for example race, gender and types of houses. It is different with parametric data which are data that can be measured, for example height, weight, depth, amount of money and square footage. Non-parametric tests are used in this study to test a hypothesis containing nominal and ordinal data. Non-parametric tests also do not require an interval level of measurement (Frankfort-Nachmias & Nachmias, 2000). In addition, non-parametric tests have several advantages over parametric tests; they are easier to use and understand, they can be applied to situations in which parametric tests cannot be used, and they do not require that the population being sampled is normally distributed (Mann, 2004).

Questions involving respondents' awareness which are measured as nominal data are tested with respondents' socio-economic background consisting of data on the rate of district collection, occupation, *zakat* annual report, *zakat assistance* brochure, meetings with the KDoZ officer while discussions with *Imam* are tested by using the Chi-square test. The Chi-square tests are used because all the socio-economic data are categorized as nominal data. In addition, the Phi Cramer's V test is also used to explain the direction

and the degree of relationship between respondents' awareness with the socio-economic data. In contrast, the Spearman rho test is used to identify respondents' awareness with the distance of respondents' house from the KDoZ office. For distance variable, all data are categorised as ratio data where distances are grouped into several range: less than km, 6-10km, 11-15km and more than 16km. Generally, the ratio type of data are categorised as scale data. Thus, the Spearman rho correlation can be used to test the data.

The three most common measures of central tendency are the mean, the median, and the mode. In general, measures of central tendency or 'location', attempt to quantify what we refer to as the 'typical' or 'average' score in a data set. Mode is commonly used to identify the score that occurs most frequently while median simply refers to the middle score in the distribution. The mean is the most common measure of central tendency. It is calculated based on the sum of the numbers divided by the number of numbers (the number of scores in the distribution). Through the use of the mean or average, the score for each question helps to explain respondents' tendencies towards the factors and reasons that influence application and interest in SHS.

In reference to the SPSS software, the reason for using the inferential statistic is to calculate the p- value (probability) where the samples are probably from the same population with regard to the outcome. Thus, the p-value is directly related to the null hypothesis. In order to reject the null hypothesis and accept the study hypothesis, the test value must be smaller than the p-value. If the p-value is larger than the test value, the null hypothesis has to be accepted and it has to be concluded that the treatment of the variable has no effect on the outcome.

5.3.1.5 Survey interview (fieldwork)

The survey interview was conducted by trained interviewers. They consisted of second and third year students the University Technology Mara of Malaysia. They conducted the survey as part of a course, whereby the nature of this course involves many survey works as part of the course requirement. The students opted to conduct the interviews have had previous experience in carrying out real survey work. All interviewers selected

were briefed on the description of the study methods used, and were supervised throughout the survey exercise. They were also briefed on each item of the questionnaire and were given time to familiarise themselves with the questionnaires. All interviewers were reminded to be natural mediums through which questions and answers can be transmitted.

The respondents were given a copy of the questionnaire. However, rather than asking the respondents to read the questionnaire and enter their own answers, the interviewers had asked the questions orally and recorded them in the respondents' survey form. This approach allowed the respondents to understand the questionnaires and, at the same time, be free from recording the answers themselves. Each interview took about 15-20 minutes to complete. The interview was conducted within three months. This was due to the fact that the respondents were mostly not available on working days. Therefore, the survey was conducted on weekends beginning from January 10th to February 28th 2009. The raw data can be referred to in Appendix B.

5.3.2. The interview

An interview is the best tool for data collection and is very effective in identifying an individual's perceptions, including the way of thinking, attitude, values and opinions. Through the interview process, interviewees may give their personal opinion about the subject matter discussed which had not been exposed in written format or anywhere else. There are two types of interviews that are undertaken in social science studies: face-to-face interview and telephone interviews (Denscombe, 2003). Interview is a face-to-face consultation which has a lot of advantages as the researcher can witness the reaction of the respondent during the conversation. The researcher will also be able to obtain information directly at one particular time. With regard to telephone interview, it is possible to be carried out when time cannot permit a face-to-face consultation (Corfield, 2006). This study employed the face-to-face approach instead of telephone interview because this allows the researcher to speak directly to one interviewee at a time (Thomas, 2003). This also allows the researcher to ask questions objectively without bias as well as to guide the conversation.

The purpose of the interview is to gather feedbacks from respondents regarding a list of issues or the research questions that have been outlined. In order to obtain information related to the issues, the researcher has to probe different views and opinions. To achieve the purpose of the interview, the interview approach adopted for this study is the semi-structured one. Semi-structured questions have a sequence of themes to be covered based on some prepared questions. The advantage of this method is the flexibility of the semi-structured questions, whereby when this method is applied through face-to-face interview, it gives the opportunity for the interview sessions to appear informal, thus giving opportunity for the interviewees to deliver data which are not usually expressed in written documentation. In addition, applying semi-structured questions in face-to-face interview allows the interviewer to address further inquiry whenever necessary (Gubrium and Holstein, 2002; Kvale, 2007). However, the limitation of semi-structured questions is that the answers received may not be focused towards the subject being asked, and the conversations always divert from the main topic. This limitation can be avoided through stronger preparatory communication skills.

5.3.2.1 Development of interview guide (Questions)

The interview guide or the questionnaire is divided into five parts (Kruger and Casey, 2000, pp. 43-45). The first part is the opening question. The questions outlined are aimed at identifying the background of the respondents. Therefore, the opening question asked is the working experience in the KDoZ. The next question is the introductory question, which was designed to identify the interviewee's experience in the topic of study. The questions given were based on the concept of the capital assistance provided through *zakat*. Through feedback gathered, I will then be able to evaluate the level of understanding of respondents towards the actual concept of capital assistance. In the transition section, the questions asked revolved around the history of *zakat* capital assistance, the approach of capital assistance and the programmes that have been carried out by the KDoZ. The information gathered through the interview questions is used to triangulate the documentation research.

The next part is for the key questions category which is the most important part in the interview guide. This is because the questions given are the main focus for the study. More questions that are able to provide answers to the main research questions are asked in this category. In this category, the respondents are asked to give feedbacks for the three research questions outlined. Sub-research questions for the main questions have been turned into questions that are posed to the interviewees. The feedbacks from the respondents based on the questions provide ease in the coding process, which uses the structural coding technique. The additional information from every research question is gathered through the proving of view and opinion. Among the terms that have been used include (has it not been) *bukankah*, (if I am not mistaken) *tidak silap saya*, (as far as I know) *setahu saya*, and others. The form of questions asked include “Could you say something more about that?”, “Can you give a more detailed description of what happened?”, “Do you have further examples of this?” The last category of question is the question that concludes the interview. The question asked gives the respondents the chance to add on any aspect that has not touched upon by the interviewer. The list of main questions which have become a guide to respondents during the interview session can be referred to in Appendix ‘C’. In the interview sessions, questions may not follow exactly in the way they have been outlined, and questions that are not included in the guide may be asked as they pick up on things said by interviewees.

5.3.2.2 Interview procedures: Sampling, rapport, pilot study and actual interview sampling

This study has adopted the Single Case Embedded Design, a method of examining a single case but with a number of unit analysis. The case study is referred to as the KDoZ, while the unit of analysis is referred to as the level of organization. The KDoZ comprises the Committee Members, the Executive *Zakat* Officers and the District *Zakat* Officer. Some respondents were chosen from this group to give opinions about the questions prepared.

Samples from each of the unit of analysis were chosen through purposeful sampling and the Maximum Variation Sampling. Purposeful sampling has the target

groups that are purposely selected to achieve the objectives (Robson, 2002). In choosing the samples, the quantity of respondents is not included; however the factors of sample diversification are included so that it will give multiple impacts to the data that are to be collected (Ritchie, Lewis, and Elam, 2003). This approach is known as the Maximum Variation Sampling. An approach whereby the number of sample chosen is small, and it is from different kinds of characteristics so as to produced a diversified result (Meriam, 1998; Kruger and Casey, 2000). Due to this reason, the quality of the data is emphasised more than the quantity of the respondents.

In choosing the respondents, the researcher employed the Snowball Sampling method - a process of collecting and identifying respondents through interlocking social networks. Identifying respondents without the use of social networks may cause difficulties to distinguish those who have agreed to be interviewed from those who refuse to be interviewed. Furthermore, if respondents are chosen without the use of social networks, the data received may be partly incorrect (Mathew and David, 2004). This study also received help from two officers working in the KDoZ. These two are my acquaintances who helped to identify respondents that fulfil the criterion above. Once the respondent was identified, the officer introduced me to the respondent. Based on this sampling method, a total of 11 respondents agreed to be interviewed. A brief summary of the background of respondents are discussed below:

1) Interviewing the committee members

It is necessary to choose respondents among this committee as they are the ones who are involved in the preparation and approve policies in regards to the users of the *zakat* fund. In the beginning, eight candidates from this committee were identified as potential respondents. However, four respondents refused to be interviewed but instead, they proposed that the information on the administration of the KDoZ could be referred to the *Zakat* Secretary. The remaining four agreed to be interviewed. The 1st respondent has served as a Committee Member for years. He leads the *Siasah Syariah Unit for Fakir dan Miskin* - a unit that focuses on the help and aid for the poor. Besides that, they are the most influential individuals of the committee. The 2nd respondent is also a member but is in the *Unit Kecil Siasah Syariah, Fakir dan Miskin*. He has been in the field for

more than 30 years. He has also served in the *Baitulmal* of Kuala Lumpur and was a former academician. The 3rd respondent is a committee member that executes all decisions that have been made by the committee. Finally, the 4th respondent is the Mufti of Kedah who is a former member of the *Zakat* Committee Board.

2) Interviewing the *zakat* officers

Zakat officers are those who head existing units, who in turn are responsible for executing policies that have been approved by the *Zakat* Committee. They are Group A officers who graduated with first class Bachelor Degrees. The respondents chosen from this group are involved directly with the Economy Aid Program. Two respondents were chosen from this group. The first respondent is an officer who is responsible for matters in the SHS, namely processing applications and to oversee the aid programme. The second respondent is the assistant Secretary of the KDoZ.

3) Interviewing the district *zakat* officer

Interviewing the District *Zakat* Officer is significant as they are the closest party to the grass root level, where they are the ones who communicate the most with the poor. Furthermore, they are responsible for executing all decisions that have been made by the committee members. The main difference between a District *Zakat* Officer and an Executive Officer is their academic qualification; all District *Zakat* Officers are only possess the Malaysian Certificate Education (MCE/SPM). A total of five District *Zakat* Officers were selected for the interview.

5.3.2.3 Establishing rapport with respondent

One of the approaches applied in interviews are rapport. The aim of rapport is to gather correct data because, without rapport, inaccuracy and invasion may occur. The rapport between the interviewee and the researcher is to reduce anxiety and to establish trust during the interview (Glesne, 1999). In the end, the respondent can produce information

that is profound during the interview due to feeling safe and comfortable with the presence of the interviewer.

In this study, the researcher carried out the interview with the respondent. Thus, it is crucial that the researcher is introduced to the respondent. The rapport process between the researcher and respondents begins before the interview takes place. There are two types of approaches for establishing rapport with respondents, which are respondents from among the District *Zakat* Officers or voluntarily respondents who had been recommended by *Zakat* officers (where I had met the respondents before interviewing). The significance of this is to establish confidence from the respondents. After the first visit, respondents were contacted through phone in order to maintain the rapport. From the existing rapport, I was given a list of the receivers of the annual financial aid during the second visit to their office. The information was then used for the questionnaire survey.

a) Pilot test and actual study

Pilot Tests aim to help the researcher to produce a plan to collect data which consist of determining the types of data needed, procedures that have to be followed. Besides that, the researcher can also verify the types of instruments that will be used and to identify types of problems that might arise during the collection of data. From here the implications can be forecasted during this research (Yin, 1998).

Two respondents were chosen for the Pilot Test and they are the committee members of the KDoZ. Both respondents were chosen as they have different views and opinions on the questions that had been asked. The first interview conducted with the 1st respondent was on December 15, 2008 and the second interview conducted with the 2nd respondent was on December 23, 2008. The second interview conducted with the 2nd respondent was after 7 days from the interview with the 1st respondent to enable me to transcribe, code and theme building from the data gathered.

Before the interview took place, the respondents were given a brief introduction on why the interview was to be conducted as it is a preparation to brush up the skills on the field work study. I had sought for their permission to use an audio tape to record the interview and have also informed them that all information are confidential and their

identity will be kept secret. All information and data gathered are for academic purposes only. Both respondents had now give their approval to me to use the audio tape.

During the interview, the researcher jotted down notes in order to highlight important information. Once the interview session was over and the audio tape were turned off, I then carried out debriefing or time for leave-taking rituals. During this time, I took the opportunity to clarify back all the information that had been collected before during the interview. The responses given by the respondents should now be consistent with the interview session conducted before. The analysis on the data should now create themes that would answer all questions posed in this study. Therefore, the data collected here is also used for the real research. No corrections/amendments are needed to be done on the interview guide.

Generally, the result from the Pilot Study identifies several shortages of the researcher in formulating the subsequent questions and investigation questions during the first interview. These shortages happen not because of the questions available in the interview protocols, but instead it is caused by the way in which the facilitators asked the questions. However, this problem can be solved by carrying out an interview with the 2nd respondent. The researcher has taken serious attention and has applied better approaches in handling out discussions with different groups in the future.

5.3.2.4 Actual study

The actual study was carried out from March 2009 to June 2009. A total of nine respondents were interviewed in the respondent's offices. Six out of nine respondents were interviewed using the audio tape and, during the debriefing session, five out of six respondents gave consistent responses with the responses from the previous interview session. However, only one respondent who allowed the use of audio tape gave inconsistent response; different views from the debriefing session and the audio tape interview. All information was written down, and it appeared that there were some contradictions in the information collected. This caused me to carry out another interview. Carrying out another interview is another way to get a high degree of trust. Due to that reason, during the end of that interview session, the researcher asked for

permission from the respondent for him to carry out another interview by asking a few more important questions. The respondents agreed to cooperate.

The second interview was conducted after two weeks and it was carried out in a restaurant and not in the office. The interview session also did not use any audio tape. This repeated interview session recognises the consistency between the information given during the interview and the debriefing. Thus, the researcher saw that there was no need for another repetition in the interview session. The respondents were asked if they want to look at the interview transcript but he was not interested as he was preoccupied. Besides that, the respondent had put an amount of trust on the interview thus he felt he did not have to look at the transcript.

There were three respondents from the District *Zakat* office who were opposed to the use of audio tape although they had been informed that it was strictly for academic purposes. Although without the use of audio tape, the researcher took notes and quotations which would be useful for me in order to produce an interview transcript. Interviews that do not use audio tapes will require the interviewer to quickly write down the information gathered before any information is left out or forgotten (Ritchie, 2003).

5.4.2.4 Data analysis

a) Thematic analysis

Data analysis is the summarisation of the mass of words generated by interviews or observational data. To analyse the data and information collected, one of the techniques used is the Thematic Analysis technique (Miles et al., 1998). According to Boyatzis (1998), thematic analysis is a ‘process to be used with qualitative information’ and ‘a process for encoding qualitative information’, in which ‘the encoding requires an explicit code’ (p. 4). Boyatzis (1998, pp. 7-8) outline the advantages of thematic analysis as follow:

1. Pattern recognition as the ability to see patterns in seemingly random information
2. Openness and flexibility as an advantage for the researcher to perceive the patterns.

3. Planning and systems thinking that enables a person to organize the observation into usable system.

b) Transcribing

Transcribing is a process of data transferring from the tape-recorded data into textual format. Data transcribing is to write back the responses recorded from the audio tape. Transcribing is also closely related to coding. Coding should be developed as soon as the first data collection has been done. Coding enables the review of the information gathered and can become a guide for the next interview. In conjunction with that, the interview with the respondent should be within a certain amount of time which is one week. This is to provide ample time for the researcher to carry out the transcribing and coding process.

According to Kitchin and Tate (2000), there are two main methods for transcribing data. The first is to translate all data provided within one data generation onto a single script where the advantage of this method is that the whole script can be read as a coherent text. The second method calls for transcribing and collating the responses to each question separately whereby this method enables viewing of responses to each question easily but makes reading of one interview hard. This method also causes the researcher to be bias due to the fact that the researcher will only put in parts and certain information they feel necessary. For that reason, I have used the first approach in transcribing data. The advantage of this method is that it allows me to focus on one interview at a time. In the process of transcribing from verbatim to text format, it was conducted comprehensively without leaving any information out. There were not much difficulties encountered as Bahasa Malaysia was used as the main language between me and the respondents. However, there were also a few respondents who used the Kedah regional accent thus making the transferring process a bit longer as it consumed more time. In addition, note taking during the interviews also helped me in the transcript process, especially in sensitive issues.

c) Coding and themes

According to Jones and Shoemaker (1994, p. 142), thematic analysis is a type of content analysis that “draws inferences from data by systematically identifying characteristics

within the data". In this situation, coding is used to label sections of text that are related to a certain topic and question. Coding is generally defined as systematically searching for data to identify and to categorise specific observable actions and characteristics. This method of analysis enables the researcher to answer the questions of "who says what, to whom, why, how and with what effect?" (Babbie, 1998, p. 309). To prepare for coding, the categorisation of coding should be developed since the first data collection. In executing the coding process, Charmaz (2002, p. 684) suggests that the researcher attend closely to the data, and the codes should reflect the researcher's interest and perspectives as well as the information in the data.

There are two levels in the coding process: First Cycle and Second Cycle coding methods. The first cycle involve making important phrases of individual word and assigning them with a code. Coding aims to assemble as many factors contributing to the establishment of research questions. The data is sorted by using the Structural Coding and the Holistic Coding. According to Saldana (2009), 'Structural Coding applies a content-based or conceptual phrase which represent a topic of inquiry to a segment of data that relates to specific research questions used to frame the interview' (p. 66). Since the questions asked are the sub-research question to the main research question, this model has been found not to be appropriate for usage. The sub-research question has become a structural code, whereby the data or feedback from structural code will be presented through the Holistic Coding. Holistic coding is an attempt to grasp basic themes or issues in data by absorbing them as a whole rather than by analysing them line by line. There are no limitations for the Holistic Coding, where the coded unit can be as long as one and a half page in length. This coding process is used so that the researcher can have a general idea on what the research is based on the literature review (Saldana, 2009).

For the Second Cycle method, the data is sorted by using the Axial and Theoretical Codings. Axial coding is 'the transitional cycle between the Initial and Theoretical Coding process of grounded theory" (Saldana, 2009, p. 160). In this study, the data gathered from the Holistic Coding were arranged to form the relationship between codes. The combination between several codes are placed under one category.

The next step is to use the Theoretical Coding to identify the relationships between categories which can then be placed under one core category. Theoretical coding refers 'to ascertaining the perceived cause-and-effect relationship (influences) among all the affinities in a system' (Saldana, 2009, p. 163). These codes are based on the analytical thinking by the researcher about why and what is occurring in the data. The core category will then be used to formulate a theme. Thus, the theme of the research is an outcome of coding, categorisation and analytic reflection. The formulation of the research theme is the result of the review of the research literature. The theme chosen is also the reflection.

The interviews were conducted in Bahasa Malaysia due to the fact that most of the respondents in the Committee and the *Zakat* Officers were not well-versed in English. Therefore, the codes and the themes were required to be translated into English. This situation had also been verified by two Malay-speaking, PhD students of University Technology of Malaysia, who were dealing with a similar process of translating the Bahasa Malaysia transcript to English. The translation was also verified by another two Malay-speaking people. The translation was not conducted on a word-by-word basis and alterations made did not change the meanings. Therefore, the process of transferring transcription is a process that requires thorough attention and patience. The process of verification of the translation is highly important in order to sustain the reliability and the validity of data. The data analysis is conducted manually and is not computer assisted. It cannot be denied that with the assistance of computers, the process of retrieving data is quicker and it saves time (Creswell, 1998; Miles and Huberman, 1994). Manual analysis was chosen for the study to better interpret the axial and holistic coding. The coding descriptions were long and extensive which outlines cause and effect from the research question. Hence the analysis is best done manually as the researcher needs to scrutinise the data collected from study. Computer aided analysis will be less accurate to interpret the collected data.

5.4.3 Document

At the same time, focuses on the analysis of document sources that are relevant to the research and can be aimed at accomplishing the mission of the objectives. Document analysis is the logical assessment of instructional documents such as syllabi, assignments, plans and course evaluation results where the target of the analysis is the significant inspection of the record rather than mere description (Russ-Eft and Preskill , 2001). Analysis of document is one approach to answer the research question which requires reference to analysis of textual material. It consists of analysis of various sources of records such as official records, photographs, text and many other documented records.

The objective of document analysis in this study can be divided into four purposes. Firstly, is the review of documentary sources on the historical background and the process of *zakat* collection by the KDOZ. The documentary sources of the historical background is required in order to seek various perspectives on information about the phenomena lead to the establishment of the KDOZ, while information on the collection describes how the *zakat* collection has influenced the KDOZ management. Secondly, review on the documentary sources of *zakat* distributions to eight *asnafs*. Thirdly, are review documentary sources of the programmes for poor and poorest required to identify the type of programmes for sustenance and non-sustenance groups. Based on the review, the only *zakat* assistance for the sustenance group is the SHS. Fourthly, document analysis is required in order to cross-validate information that are gathered from the interview given that sometimes “what people say” is different from “what people do”. Documentary evidence acts as a method to cross-validate information gathered from surveys and interviews as part of the triangulation method.

However, documents must be carefully used and should not be accepted as literal recordings of events as this can lead to bias. Another limitation is that documents are not produced for research purposes and the information offered may not fully be understood by the researcher.

5.4.4 Archival Records

Archival records are records that are kept by organisation and individuals, such as meeting minutes, letters, maps and charts pertaining to the site (Yin, 2003). In most circumstances in this study, archival research had been applied to seek for materials used to discover more about the KDoZ. Therefore, archival records were used to gain information regarding the establishment of the KDoZ. The gained information can be used for the analysis of the *zakat* administration before the establishment of the KDoZ and the phenomenon that contributes to the establishment of the KDoZ. Among the archival records obtained for this study were letters and minutes of meeting.

5.5 Conclusion

In general, this chapter consists of five levels of research methodology in order to achieve the research objectives. It begins with the finalisation of the research objectives and followed by the appropriate method, research strategies, data collection methods, data analysis and lastly the conclusion. For the data collection, I have used the case study method, literature study, questionnaire and interview. Quantitative data from the questionnaire were analysed through the frequency analysis and the Likert Scale Analysis through the use of the SPSS. Based on the discussed methodology, it is hoped that the data collected will meet the targeted objectives. All data and information collected have been analysed and presented using the methods mentioned.

Chapter Six

Analysis on Questionnaire Survey

6.0 Introduction

This chapter presents the general findings from the analysis of data collected during the survey. It also explains the level of awareness of Self-Help Support Programme (SHS) amongst the poor. This chapter is divided into five distinct parts. The first part presents the summary of the socio – economic profile of the respondents by the eleven (11) districts. This profile includes Gender; Age; Marital Status; Income; Level of Education; and category (occupation). The second part describes the method of *zakat* assistance including the period and rate of collection by districts. The third part analysis the awareness of Self Help Support programmes across the districts. The fourth section describes the relationship between method of *zakat* assistance and the socio – economic variables of respondents while the final part discusses and summarizes all the findings of the research in relation to the outlined research questions.

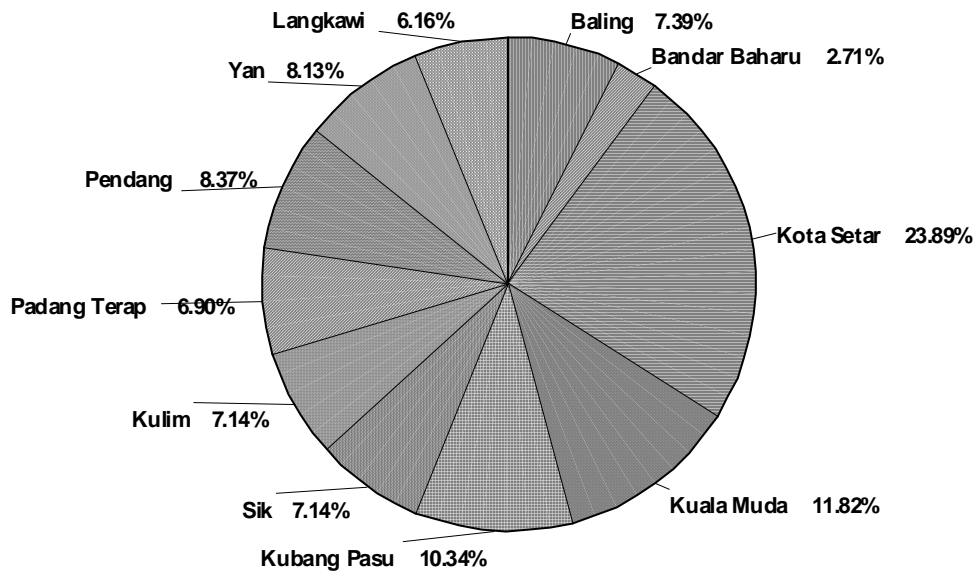
6.1 Characteristics of respondents

This section presents the preliminary findings of characteristics of respondents. The sample selected from the population involved the 406 respondents consisting who have been categorized under low income earners or the poor.

6.1.1 Socio – demographic profile of respondents

Figure 6.1 shows the unequal distribution of places of residence by eleven districts in Kedah. It can be seen that more than proportionate resided in Kota Setar (24%) compared to other districts. Meanwhile, only 2.7% lived in Bandar Baharu.

Figure 6.1: The distribution of districts where respondent stay



n=406

Source: Primary Survey, 2009

In this section, all respondents' profile which is gender, age category, marital status, and occupation are cross-tabulated against the district variable. The cross-tabulation tests are made in order to show the socio-demographic background of the respondents according to district where they come from. This is important to determine the differences in the patterns of the socio-demographic backgrounds according to district.

A cross-tabulation was made to show a detail distribution of respondents based on gender across the eleven districts. This cross-tabulation is shown in Table 6.1 below;

Table 6.1: Cross-tabulation of district where respondent stay with respondents' gender

District	Gender				Total	
	Male		Female		F	%
	F	%	F	%		
Baling	14	46.70	16	53.30	30	100
Bandar Baharu	4	36.40	7	63.60	11	100
Kota Setar	53	54.60	44	45.40	97	100
Kuala Muda	24	50.00	24	50.00	48	100
Kubang Pasu	25	59.50	17	40.50	42	100

Sik	14	48.30	15	51.70	29	100
Kulim	8	27.60	21	72.40	29	100
Padang Terap	16	57.10	12	42.90	28	100
Pendang	19	55.90	15	44.10	34	100
Yan	18	54.50	15	45.50	33	100
Langkawi	7	28.00	18	72.00	25	100
Total	202	49.80	204	50.20	406	100

F= frequency, n=406

Source: Primary Survey, 2009

In referring to Table 6.1, there are approximately equal of value and gender of respondents. The distributions of gender by districts are not equal. There are four districts; Baling, Bandar Baharu, Kulim and Langkawi that have more females.

A cross-tabulation also was made to show a detail distribution of respondents based on their age category across the eleven districts. This cross-tabulation is shown in Table 6.2 below:

Table 6.2: Cross-tabulation of district of residence by age category

District where respondent stay	Age category								Total	
	28-35 year		36-45 year		46-55 year		> 56 year			
	F	%	F	%	F	%	F	%	F	%
Baling	0	0.00	9	30.00	21	70.00	0	0.00	30	100
Bandar Baharu	0	0.00	1	9.10	9	81.80	1	9.10	11	100
Kota Setar	3	3.10	39	40.20	53	54.60	2	2.10	97	100
Kuala Muda	2	4.20	17	35.40	26	54.20	3	6.30	48	100
Kubang Pasu	0	0.00	15	35.70	25	59.50	2	4.80	42	100
Sik	0	0.00	6	20.70	22	75.90	1	3.40	29	100
Kulim	0	0.00	7	24.10	21	72.40	1	3.40	29	100
Padang Terap	3	10.70	3	10.70	22	78.60	0	0.00	28	100
Pendang	0	0.00	10	29.40	21	61.80	3	8.80	34	100
Yan	0	0.00	4	12.10	28	84.80	1	3.00	33	100
Langkawi	0	0.00	12	48.00	11	44.00	2	8.00	25	100
Total	8	2.00	123	30.30	259	63.80	16	3.90	406	100

F= frequency, n=406

Source: Primary Survey, 2009

Table 6.2 shows the age of the respondents according to their district. The majority, covering 63.8% of the respondents from eleven districts fall between ages of

46 to 55. Respondents aged 36 to 45 comprise 30.3% of the population and less than 4% of them are above 56, while 2% are aged between 28 to 35 years old. The highest number of active rural farmers aged between 36 to 55 years old was from Baling district (100%) while the highest percentage of non-active rural farmers aged more than 56 years old were from Bandar Baharu (9.1%).

For marital status of respondents, a cross-tabulation is carried out with the district where the respondents stay and presented in Table 6.3 below.

Table 6.3: Cross-tabulation of district where respondent stay with their marital status

District where respondent stay	Marital status						Total	
	Single		Married		Widow			
	F	%	F	%	F	%	F	%
Baling	4	13.3	11	36.7	15	50	30	100
Bandar Baharu	0	0	4	36.4	7	63.6	11	100
Kota Setar	12	12.4	52	53	33	34	97	100
Kuala Muda	9	18.8	20	41.7	19	39.6	48	100
Kubang Pasu	5	11.9	24	57.1	13	31	42	100
Sik	0	0	16	55.2	13	44.8	29	100
Kulim	0	0	14	48.3	15	51.7	29	100
Padang Terap	6	21.4	14	50	8	28.6	28	100
Pendang	0	0	23	67.6	11	32.4	34	100
Yan	2	6.1	18	54.5	13	39.4	33	100
Langkawi	3	12	7	28	15	60	25	100
Total	41	10.1	203	50	162	39.9	406	100

F= frequency, n=406

Source: Primary Survey, 2000

Table 6.3 presents the marital status of respondents according to district where they are staying. 50% of respondents were married, 39.9% of them were widowed while the remaining 10.1% were single. Padang Terap has the highest of respondents with single status (21.4%) while Pendang has the highest percentage of married respondents with 67.6% and Bandar Baharu has the highest percentage of respondents with widow status (63.6%).

A cross-tabulation of district where respondents stay with their occupation was also made. The cross-tabulation is shown in Table 6.4.

Table 6.4: Cross-tabulation of district where respondent stay with occupation

District where respondent stay	Occupation										Total	
	Paddy farmer		Rubber tapper		Small business		Village manual labor		Others			
	F	%	F	%	F	%	F	%	F	%	F	%
Baling	6	20	18	60	4	13.3	1	3.3	1	3.3	30	100
Bandar Baharu	3	27.3	5	45.5	0	0	1	9.1	2	18.2	11	100
Kota Setar	24	24.7	38	39.2	14	14.4	13	13.4	8	8.2	97	100
Kuala Muda	6	12.5	23	47.9	13	27.1	4	8.3	2	4.2	48	100
Kubang Pasu	13	31	10	23.8	10	23.8	5	11.9	4	9.5	42	100
Sik	4	13.8	18	62.1	2	6.9	3	10.3	2	6.9	29	100
Kulim	6	20.7	11	37.9	8	27.6	1	3.4	3	10.3	29	100
Padang Terap	2	7.1	19	67.9	3	10.7	1	3.6	3	10.7	28	100
Pendang	27	79.4	7	20.6	0	0	0	0	0	0	34	100
Yan	28	84.8	3	9.1	2	6.1	0	0	0	0	33	100
Langkawi	6	24	11	44	7	28	1	4	0	0	25	100
Total	125	30.8	163	40.1	63	15.5	30	7.4	25	6.2	406	100

F = frequency, *n* = 406

Source: Primary Survey, 2000

Table 6.4 presents the cross-tabulation between the respondents' occupation and the districts where they stay. It is generally believed that the main occupation of the rural populace is agriculture. 40.1% of respondents are engaged in rubber tapping, 30.8% focused on paddy farming. 15.5% of respondents are working in small businesses and about 7.4% of them are working as unskilled manual labour. According to the respondents, unskilled manual labour is worked as carpentry and involved in small constructions. The remaining of 7.2% of respondents worked as promoters, industrial workers and shop assistants. In the questionnaire, these types of occupation are categorized as 'others'. The highest number of respondents working as rubber tappers

came from Padang Terap (67.9%). Meanwhile, the highest number of respondents involved in business (28%) came from Langkawi and Kota Setar had the highest number of respondents working as manual labour (13.4%).

Generally, respondents involved in the survey were worked in five types of occupation. In addition, it was found that some of the respondents were involved in business-based occupations. The result of findings is shown in Table 6.5 below.

Table 6.5: Occupation of respondents according to type

Occupation	Business based		Non Business Based	
	F	%	F	%
Paddy farmer	0	0	125	100
Rubber tapper	0	0	163	100
Small business	63	100	0	0
Village manual labour	6	20	247	80
Others (promoter, industrial worker)	18	72	7	28
Total	87	21.4	319	78.6

F = frequency, n=406

Source: Primary Survey, 2000

In Table 6.5, it is seen that all respondents who worked as paddy farmers and rubber tappers claimed that they were not involved in any business activities. In contrast, 20% of respondents who categorized as unskilled manual labour are involved in business activities. However, the majority (80%) from the unskilled manual labour claimed that they were not involved in any business activities. For respondents who worked in small businesses, all of them (100%) involved in business based activities. For other categories, the majority with 72% of the respondents who worked as promoters, industrial workers and shop assistants involved in business based activities. Meanwhile, the remaining 28% of them claimed they did not involved in any business activity. From the total number of respondents involved in the survey, 21.4% of them involved directly or indirectly in business based activities whether as the business owner or as a promoter.

Table 6.6 shows the distribution of income. Income is categorised into three categories according to poverty levels in Malaysia.

Table 6.6: Income according to poverty level

Income Category	Frequency (F)	Percentage (%)
<M\$ 415	387	95.3
M\$ 416 to 690	18	4.4
> M\$ 691	1	0.3
Total	406	100

F = frequency, *n* = 406

Source: Primary Survey, 2009

The poorest category according to poverty level in Malaysia (Jabatan Zakat Kedah, 2006) is below M\$ 415 per monthly. Poor is categorised for those earnings between M\$ 416 to M\$ 690, while non-poor are those from M\$ 691 and above. The majority of respondents were categorised as poorest (95%).

In order to show the socio-demographic background of the respondents according to their income category, a cross-tabulation was made. The results are shown in Table 6.7. All respondents from districts of Baling, Pendang, Yan and Bandar Baharu fall in the poorest category. The smallest numbers of poorest respondents were from the district of Kuala Muda with 91.7%.

Table 6.7: Cross-tabulation of socio-economic background with income range

Socio-economic background	Income according to poverty level						Total	
	<M\$ 415		M\$ 415to 690		>M\$ 691		F	%
	F	%	F	%	F	%		
1. District								
Baling	30	100	0	0	0	0	30	100
Bandar Baharu	11	100	0	0	0	0	11	100
Kota Setar	89	91.8	8	8.2	0	0	97	100
Kuala Muda	44	91.7	4	8.3	0	0	48	100
Kubang Pasu	40	95.2	2	4.8	0	0	42	100
Sik	28	96.6	0	0	1	3.4	29	100
Kulim	28	96.6	1	3.4	0	0	29	100
Padang Terap	26	92.9	2	7.1	0	0	28	100

Pendang	34	100	0	0	0	0	34	100
Yan	33	100	0	0	0	0	33	100
Langkawi	24	96	1	4	0	0	25	100
2. Gender								
Male	190	94.1	12	5.9	0	0	202	100
Female	197	96.6	6	2.9	1	0.5	204	100
3. Age								
< 35 years old	8	100	0	0	0	0	8	100
35-45 years old	117	95.1	5	4.1	1	0.8	123	100
46-55 years old	246	95	13	5	0	0	259	100
> 55 years old	16	100	0	0	0	0	16	100
4. Status								
Single	37	90.2	4	9.8	0	0	41	100
Married	193	95.1	9	4.4	1	0.5	203	100
Widow	157	96.9	5	3.1	0	0	162	100
5. Education								
Primary School	63	96.9	2	3.1	0	0	65	100
Secondary school (form 3)	40	93	3	7	0	0	43	100
Secondary school (form 5)	14	93.3	0	0	1	6.7	15	100
No schooling	270	95.4	13	4.6	0	0	283	100
6. Business activity								
Paddy farmer	123	98.4	2	1.6	0	0	125	100
Rubber tapper	157	96.3	6	3.7	0	0	163	100
Small business	56	88.9	6	9.5	1	1.6	63	100
Village manual labor	28	93.3	2	6.7	0	0	30	100
Others	23	92	2	8	0	0	25	100

F = frequency, *n* = 406

Source: Primary Survey, 2009

The second segment shows the distribution of income based by gender. The female has the highest number in the poorest category (96.6%) compared to male (94.1%). The third segment of Table 6.8 shows that respondents aged below 35-years-old and above 55-years-old fall under the poorest category. For the group of respondents aged between 35 to 45-years-old, 0.8% of them fall in the category of non-poor citizens. The fourth segment shows the distribution of income by marital status. The widow has the highest number of the poorest (96.9%) compared to married ones and single respondents covering 95.1% and 90.2% respectively.

The fifth segment shows the distribution of income based on their education. Respondents who have never attended formal education or only attended primary education have the highest number of poorest with 95.4% and 96.9% respectively. Respondents whom attended school until Form five make the highest number falling in the non-poor category with 6.7%.

Finally, the last segment presents the respondent's income by their occupation. In reference to Table 6.7, the highest occupation category falling into the poorest category is rubber tappers and paddy farmers (98.4% and 96.3% respectively). The occupation falling into non-poor category was those involved in small businesses activities (1.6%).

6.1.2 Zakat assistance programme

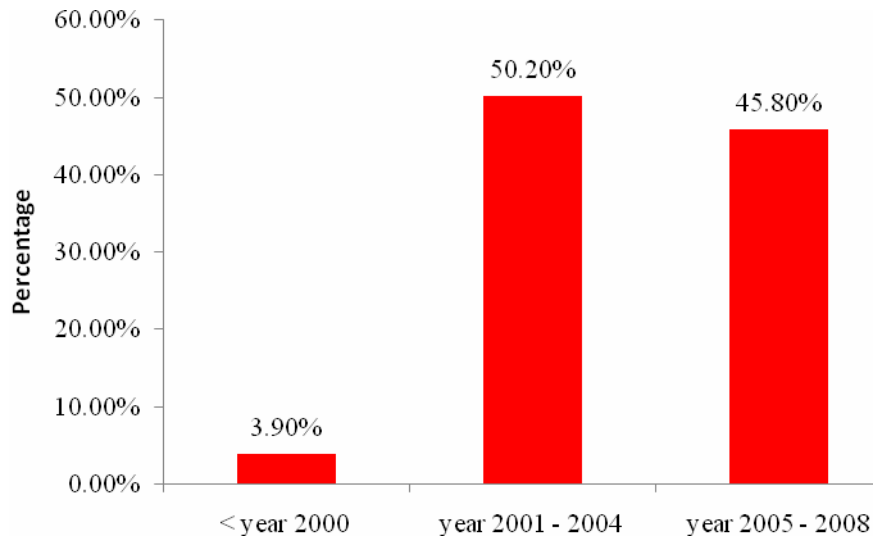
This section presents the analysis on the *zakat* assistance programme. This section is divided into two subsections which describe the respondents' awareness towards *zakat* assistance programme and the methods of information distribution used by KDoZ to promote the programme.

6.1.2.1 Respondents' awareness towards *zakat* assistance programme

This section presents respondents' awareness of *zakat* assistance according to the number of years their received *zakat* and according to distance of the respondents' house to the nearest KDoZ branch office. This section also presents the respondents' perception towards the promotion of Self Help Support (SHS) programme.

The year of *zakat* distribution is categorized into three groups. The first category is *zakat* distribution before year 2000, followed by year 2001 until 2004 and lastly from year 2005 until 2008. Figure 6.2 shows the trend of *zakat* recipients' from year 2000 until 2008.

Figure 6.2: The trend of *zakat* recipients from 2000 until 2008 (n=406)



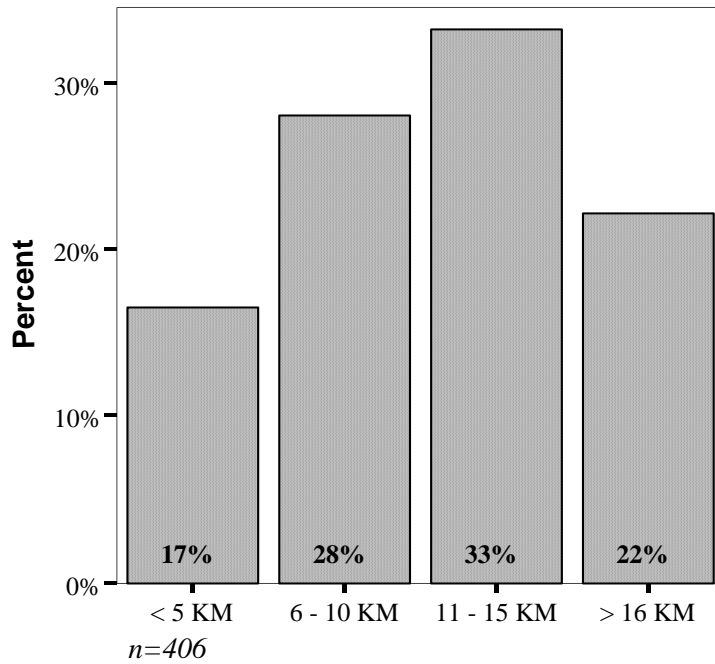
n=406

Source: Primary Survey, 2009

Based on Figure 6.2, about 3.9% of the recipients were eligible and had been received *zakat* before the year 2000. Subsequently, the percentage increased to 50.2% within years 2001 to 2004, afterwards, only 45.8% of the respondents received *zakat* within years 2005 to 2008. This finding shows that the majority of the respondents was aware of the programme and has received *zakat* from the year 2000.

In order to explain the reasons as to why the majority of the respondents had been receiving *zakat* since year 2000, an analysis of the respondents' house distance from the nearest KDoZ office was made. Figure 6.3 below presents the distribution of the respondents' house distance from the nearest KDoZ office.

Figure 6.3: Respondents' house distance from KDoZ office (n=406)



Source: Primary Survey, 2009

Majority of respondents with 33% stayed within 11 to 15km from the nearest KDoZ office, followed with 28% of them stayed within 6 to 10 km. The study found that the percentage of respondents staying less than 5 km from the nearest office is the lowest (17%). Thus, it could be inferred that the majority of the respondents (83%) stayed far from the KDoZ office which is located in every major city of each district.

In order to explain the relationship between respondents' awareness towards the *zakat* assistance programme with their income level and the respondents' house distance from the nearest KDoZ office, a cross-tabulation was made. The result of the cross-tabulation is shown in Table 6.8.

Table 6.8: Cross-tabulation of the year respondents receive *zakat* with income level and distance from KDoZ office

Respondents' Background	Income according to poverty level						Total	
	<M\$ 415		M\$ 415-M\$ 690		>M\$ 690			
	F	%	F	%	F	%	F	%
1. Year								
year 2005 - 2008	180	96.8	6	3.2	0	0	186	45.8
year 2001 - 2004	191	93.6	12	5.9	1	0.5	204	50.3
< year 2000	16	100	0	0	0	0	16	3.9
Total	387	95.3	18	4.4	1	0.3	406	100
2. Distance								
< 5 KM	64	95.5	2	3	1	1.5	67	16.5
5 – 10 KM	110	96.5	4	3.5	0	0	114	28
10 – 15 KM	127	94.1	8	5.9	0	0	135	33.3
>15 KM	86	95.6	4	4.4	0	0	90	22.2
Total	387	95.3	18	4.4	1	0.3	406	100

F = frequency, *n* = 406

Source: Primary Survey, 2009

The first segment of Table 6.8 shows the distribution of income according to the year the respondents received *zakat*. All sixteen respondents (100%) who had been receiving *zakat* before the year 2000 fall within the poorest category. In addition, 96.8% of the respondents who had received *zakat* between the years 2005 until 2008 and 93.6% of the respondents who had received *zakat* between the years 2001 until 2004 were also from those who fall within the poorest category.

The second segment as presented in Table 6.8 above shows the distribution of income according to distance. The finding shows that the majority of the respondents (83.5%) who stayed more than 5km from the KDoZ Branch Office earned less than M\$ 690. Respondents who belonged to non-poor category stayed less than 5 km from the KDoZ office.

In summary, descriptive analysis showed that respondents' awareness of the SHS programme have been somewhat influenced by age groups, districts, education levels and economic background. The background of respondents also influenced their interest

to apply for SHS programme. From the analysis, it shows that *zakat* assistance background has been influenced by the distance from the KDoZ offices and respondents' income level.

During the survey, a question on how respondents were made aware of the information of *zakat* assistance was posed. The result of this question is presented in Table 6.9.

Table 6.9 Method of gaining awareness of the *zakat* assistance programme

Methods of how respondents were made aware on the <i>zakat</i> assistance programme		Respondents' answer			
		Agree		Disagree	
		F	%	F	%
1	I have read yearly <i>zakat</i> reports published by the KDoZ	4	1	402	99
2	I have read an article on the SHS programme published by the KDoZ	4	1	402	99
3	I have discussed matters related to <i>zakat</i> assistance with an officer in the KDoZ office	0	0	406	100
4	I have discussed matters related to <i>zakat</i> assistance programmes with the <i>Imam</i>	68	16.7	338	83.3

F = frequency, *n* = 406

Source: Primary Survey, 2009

Table 6.9 shows the results of survey related to the means through which respondents were made aware of *zakat* assistance programme. There are 4 methods of information dissemination mechanism have been identified during the literature review analysis. Table 6.9 shows the majority of the respondents (16.7%) stated that they knew about *zakat* assistance programme by the village *imam*. In contrast, only 1% of respondents stated that they made aware about *zakat* assistance programme from annual *zakat* report and article on SHS programme published by the KDoZ. Meanwhile, 99% of the respondents stated that they have never read the annual *zakat* report and articles on SHS programmes published by the KDoZ. All respondents (100%) stated that they never discussed matters related to *zakat* assistance with KDoZ officer. From the findings, it

shows that lack of promotion by the KDoZ had to some extent influenced the respondents' awareness of the *zakat* assistance programme.

6.2 The Self Help Support programme

This section presents the analysis on the relationship between respondents' awareness of the Self Help Support (SHS) assistance with respondents' socio-economic background. This is important to identify the factors influencing respondents' awareness of the SHS programme.

6.2.1 Awareness of the SHS programme

Table 6.10 shows the respondents' awareness of the SHS programme. The findings revealed that the majority of respondents (89.7%) were not aware of the existence of the SHS programme.

Table 6.10: Respondents' awareness of the SHS programme

Awareness	Frequency (F)	Percent (%)	Standard Deviation
No	364	89.7	.305
Yes	42	10.3	
Total	406	100	

F = frequency, *n* = 406

Source: Primary Survey, 2009

A cross-tabulation between respondents' awareness of SHS programme with the respondents' applications for the SHS programme was made. The result of the cross-tabulation is shown in Table 6.11.

Table 6.11: Crosstabulation between awareness and application for SHS programme

Awareness of SHS programme	Have applied for SHS programme			
	Yes		No	
	F	%	F	%
No	0	0	0	0
Yes	0	0	42	100

F= frequency, n=406

Source: Primary Survey, 2009

Table 6.11 depicts all the respondents who were aware of the SHS programme claimed that they have applied for the programme. For the detail analysis on the factors influencing the awareness of respondents of the SHS programme, a cross-tabulation with the respondents' socio-demographic background was made. The findings for this analysis are discussed in the following section.

6.2.2 Awareness of the SHS programme by socio-demographic background

In order to identify the factors influencing the respondents' awareness of the SHS programme, the variable for awareness was cross-tabulated with the respondents' socio-demographic background. Firstly, a Chi-Square analysis was carried out to explain the relationship between the respondents' awareness and the rate of *zakat* collection according to district. The findings are presented in Table 6.12. The degree of relationship from a hypothesis result, standards Guilford's rule of thumb measurement is used to explain the degree of relationships between variables (Guilford, 1956, p. 145).

Table 6.12: Guildford rule of thumb

Value of test (r)	Strength of Relationship
< 0.2	Negligible relationship
0.2 – 0.4	Low relationship
0.4 – 0.7	Moderate relationship
0.7 – 0.9	High relationship
> 0.9	Very High relationship

6.2.2.1 Relationship between respondents' awareness of SHS programme and the rate of district Collection

According to al-Qaradawi (1999), Salleh (2004), Muhammad (1993) the priority of *zakat* distribution goes to the poor and needy people who live within local *zakat* collection jurisdiction. This will ensure that help is given to the poor who live in the same community with the *zakat* payer. This approach has been practised in several *zakat* management bodies such as in Pakistan (Khaf, 1995; Ajel, 1995)). By doing this, it is predicted that the poor in the area with high collection of *zakat* will be more aware of the existence of *zakat* assistance. KDoZ has recorded that *zakat* collection was recorded according to the performances in each district. *Zakat* collections are divided into two categories, high collection and low collection. The districts with high collection of *zakat* are those not dependent upon agriculture based sector, while the low collections of *zakat* are from within the agriculture-based area. Therefore, it can be deduced that the differences between the two categories of areas had affected the respondents' awareness of SHS. Thus, the research hypotheses are:

H_0 : Respondents' awareness of the SHS programme is not influenced by the district *zakat* collection

H_1 : Respondents' awareness of the SHS programme is influenced by the district *zakat* collection

Table 6.13: Chi-Square tests for respondents' awareness of SHS programme with rate of district *zakat* collection

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	78.193(b)	1	.000		
Continuity Correction(a)	75.214	1	.000		
Likelihood Ratio	84.235	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	78.000	1	.000		
N of Valid Cases	406				

0 cells (.0%) have expected count less than 5. The minimum expected count is 15.00.

Table 6.14: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.439	.000
	Cramer's V	.439	.000
N of Valid Cases		406	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Source: Primary Survey, 2009

Table 6.13 shows the relationship between awareness of SHS according to rate of district *zakat* collection. The hypothesis was tested at 95% confidence level. The Chi-Square test revealed statically significant relationship of $\chi^2(1, N = 406) = 78.193$, $p = 0.000$. This means that at the significant value of 0.05, there is a difference between awareness of SHS and district *zakat* collection rates. In addition, there is a moderate relationship between the two variables. Based on the Guildford rule of thumb, there was a positive and moderate relationship (0.439) between the respondents' awareness of the SHS programme and the rate of *zakat* collection in their district. Thus, it can be concluded that higher rate of *zakat* collection in the district results in a higher possibility for respondents' awareness of the SHS programme.

6.2.2.2 Relationship between Respondents' Awareness of SHS programme and occupation

Occupational factors have much degree of influences on the awareness that the respondents have of the provided assistance. They received the information only by visiting the respective agencies which offered loans and assistance to them. Apart from that, the information was also spread by the public as well as their business associates. This can be seen in the study done by A.S.A. Bakar (2000) which found that the majority (85 %) of the *zakat* economic assistance receivers in Wilayah Persekutuan were those who are involved in the business sector. Thus, the hypotheses that can be derived are:

H_0 : Respondents' awareness of the SHS programme is not influenced by their types of occupation.

H_1 : Respondents' awareness of the SHS programme is not influenced by their types of occupation.

The variable of respondents' occupations, they categorized into two groups which are 1) Business based and 2) Non-business based.

Table 6.15: Chi-Square tests for respondents' awareness of SHS programme by occupations

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	3.943(b)	1	.047		
Continuity Correction(a)	3.194	1	.074		
Likelihood Ratio	3.585	1	.058		
Fisher's Exact Test				.071	.041
Linear-by-Linear Association	3.934	1	.047		
N of Valid Cases	406				

0 cells (.0%) have expected count less than 5. The minimum expected count is 9.00.

Table 6.16: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-.099	.047
	Cramer's V	.099	.047
N of Valid Cases		406	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Source: Primary Survey, 2009

Table 6.15 shows the relationship between awareness of SHS and types of respondents' occupation. The hypothesis was tested at 95% confidence level. The Chi Square test revealed a statically significant relationship, $\chi^2 (1, N = 406) = 3.943, p = 0.047$. This shows that the research hypothesis (H_1), that there is a relationship between respondents awareness of SHS programme and respondents' occupation type.

However, based on the Guildford rule of thumb, there was negative relationship (-.099) between the respondents' awareness of SHS programme with respondents' occupation type (refer to Table 6.16). The value of -0.099 indicates that occupation was not one of the factors that influencing the respondents' awareness of the SHS programme.

6.2.2.3 Relationship between respondents' awareness of SHS programme and number of years receiving *zakat*

Direct financial assistance through *zakat* distribution is the main approach to help the poor and needy since the establishment of the respective state *zakat* institutions. Currently, *zakat* collection by the state *baitulmal* has increased. However, this approach of financial assistance is still being practiced in the distribution of *zakat*. In accordance with that, the respondents who had received the alms would continuously receive the assistance each year. This is because once they received the aid; they would be permanently assisted for the rest of their life. Eventually, the Muslim community often

perceives that the concept of *zakat* distribution is only through direct financial assistance. Thus, the hypotheses that can be developed are:

H_0 : Respondents' awareness of the SHS programme is not influenced by the number of years they receive *zakat*

H_1 : Respondents' awareness of the SHS programme is influenced by the number of years they receive *zakat*

Table 6.17: Chi-Square Tests for Respondents' Awareness of SHS programme with the number of years receiving the *zakat*

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	55.409(a)	2	.000
Likelihood Ratio	71.359	2	.000
Linear-by-Linear Association	49.004	1	.000
N of Valid Cases	406		

1 cells (16.7%) have expected count less than 5. The minimum expected count is 1.66.

Table 6.18: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.369	.000
	Cramer's V	.369	.000
N of Valid Cases		406	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Source: Primary Survey, 2009

Table 6.17 depicts the relationship between awareness and the number of years they have been receiving *zakat*. The result of chi-Square test revealed that the relationship was significant, $X^2(2, n=406) = 55.409, p = 0.000$. This means that at the significant value of 0.05, there is a relationship between number of years the respondents received *zakat* and awareness of SHS programme. Moreover, based on the Guildford rule of

thumb, there is a positive and low relationship (0.369) between respondents' awareness of the SHS programme with the number of years respondents received *zakat*. A positive relationship as shown in Table 6.18 explains that an increase in the number of years respondents receive *zakat* will result in increase on their awareness of the SHS programme. Thus, it can be concluded that in addition to *zakat* collection in the district, the number of years respondents have been receiving *zakat* also influenced their level of awareness of the assistance.

6.2.2.4 Relationship between respondents' awareness of SHS programme and the distance from KDoZ branch office

The location of residential area influenced the awareness of the poor towards SHS. According to Salleh (2004), Wahid & Kader (2010) the distance between their residential area and the town centre has caused the lack of information about the assistance provided among the poor. A township is the centre for economic activities and is the location of economic development agencies and institutions. The poor would face difficulties in accessing the information and services as they live far from the town centre. This is because public transportation services are not effective in the rural area. Additionally, the vehicle ownership rate in the rural area especially the among the poor is very low compared to the urban area. KDoZ *zakat* branch offices are only located within the township areas in each district of Kedah. Thus, the hypotheses are set as follows;

H_0 : Respondents' awareness of the SHS programme is not influenced by respondents' house distance from the KDoZ office

H_1 : Respondents' awareness of the SHS programme is influenced by respondents' house distance from the KDoZ office

Table 6.19: Spearman Rho test for respondents' awareness of SHS programme with respondents' house distance from KDoZ office

Spearman's rho		Distance from KDoZ	Awareness of SHS programme
Distance from KDoZ	Correlation Coefficient Sig. (1-	1.000 .	-.191(**) .000

	tailed) N	406	406
Awareness of SHS programme	Correlation Coefficient Sig. (1-tailed) N	-.191(**) .000 406	1.000 . 406

** Correlation is significant at the 0.01 level (1-tailed)

Source: Primary Survey, 2009

The result of the Spearman Rho test is shown in Table 6.19 above. The test reported that there was a significant negative and low correlation between respondents' awareness and distance from the KDoZ office, $r(406) = -.191, p < .000$. The negative relationship indicates that respondents who were staying close to the KDoZ were more aware of the SHS programme compared to respondents who stayed further. Thus, distance from the KDoZ is also another factor which has influenced the respondents' awareness of the SHS programme.

6.2.2.5 Relationship between respondents aware of SHS programme and discussion with the *imam*.

According to Salleh (2004), Wahid & Kader (2010) by appointing a leader within the local community, such as the Imam as the representative of the *zakat* agency, it is believed that it could enhance the effectiveness of *zakat* distribution. In Kedah, Imam is the representative of KDoZ at the village level. They are responsible as the head of *amil*. They also have the responsibility to confirm or assess the economic status of the *zakat* applicants. As a result, those who had met with the *imam* for *zakat* discussion purposes know about the SHS programme offered by the *zakat* agency. The hypothesis states:

H_0 : Respondents' awareness of the SHS programme is not influenced by respondents' discussions with the Imam

H_1 : Respondents' awareness of the SHS programme is influenced by respondents' discussions with the Imam

Table 6.20: Chi-Square tests for respondents' awareness of SHS programme with respondents' discussions with the *imam*

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.000(b)	1	.988		
Continuity Correction(a)	.000	1	1.000		
Likelihood Ratio	.000	1	.988		
Fisher's Exact Test				1.000	.595
Linear-by-Linear Association	.000	1	.988		
N of Valid Cases	406				

0 cells (.0%) have expected count less than 5. The minimum expected count is 7.03.

Source: Primary Survey, 2009

Table 6.20 shows the relationships between respondents aware of SHS programme and discussions with the *imam*. The test shows an insignificant relationship between awareness of SHS and discussions with the *imam*, $X^2 (1, N=406) = 0.000$, $p = 0.998$. This means that at the significant value of 0.05, there is no relationship between the two variables. Thus, it shows that the research hypothesis (H_1) cannot be accepted. In the other words, the respondents' discussions with the Imam are only related to *zakat* matters and did not have influenced their awareness of the SHS programme.

In summary, the variables such as rate of *zakat* collection in the district, the number of years respondents received *zakat*, the distance of residential area from the KDoZ, has affected the awareness levels of the SHS programme.

6.3 Assessment on inclination towards applying for SHS

This section discusses the factors that influences the respondents' tendency and interest in applying for SHS.

Table 6.21: Inclination towards applying the SHS

Interested	Frequency (F)	Percentage (%)
No	81	20
Yes	325	80
Total	406	100

(n = 406)

Source: Primary Survey, 2000

Table 6.21 shows the respondents' interest in applying for the SHS programme. Based on the results of survey, 80% of respondents claimed that they were interested to apply for SHS while the remaining 20% were not interested. This shows that the majority of respondents involved in the survey were interested to apply for SHS programme.

Another cross-tabulation between respondents' inclination of applying for SHS with the respondents' age category was made. In the literature study, it was found that *zakat* recipients aged below 55-years-old are more interested to apply for such assistances in order to upgrade their income and quality of life compared to those aged above 55-years-old (A.S.A. Bakar, 2000). The result of cross-tabulation table is shown in the table below.

Table 6.22: Cross-tabulation between inclination of applying SHS and respondents' age

Age category	Interested apply SHS					
	Not interested		Interested		Total	
	F	%	F	%	F	%
< 35 years old	0	0	8	2.5	8	2.0
35-45 years old	8	9.9	115	35.4	123	30.3
46-55 years old	63	77.8	196	60.3	259	63.8
> 56 years old	10	12.3	6	1.8	16	3.9
Total	81	100	325	100	406	100

F= frequency, n=406

Source: Primary Survey, 2000

Table 6.22 shows that a majority of respondents covering of 98.2% (319 respondents) aged below 56-years-old were interested to apply for the SHS programme. Meanwhile, 12.3%, covering ten respondents aged above 56-years-old, were not interested to apply for the assistance. In order to test the relationship between the age of respondents with their inclination of the SHS programme, a Chi-square test was made and the result is shown in Table 6.23 below. Thus, the hypothesis states are:

H_1 : Respondents' inclination of SHS programme is influenced by their age

H_0 : Respondents' inclination of SHS programme is not influenced by their age.

Table 6.23: Chi-Square tests for respondents' inclination of applying SHS with respondents' age

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37.160(a)	3	.000
Likelihood Ratio	38.029	3	.000
Linear-by-Linear Association	32.896	1	.000
N of Valid Cases	406		

(n = 406)

Source: Primary Survey, 2000

Table 6.24: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.303	.000
	Cramer's V	.303	.000
N of Valid Cases		406	

(n = 406)

Source: Primary Survey, 2000

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

The hypothesis states that the relationship between inclination of SHS with the respondents' age was tested to be statically significant, $X^2 (3, n=406) = 37.160, p = 0.000$. This means that at a significant value of 0.05, there is a relationship between respondents' inclination of applying for the SHS programme with their age. Thus, it indicates that the research hypothesis can be accepted.

Moreover, based on the Guildford rule of thumb, the result of the test in Table 6.24 shows that there is a positive and low relationship (0.303) between inclinations of the SHS programme with the respondents' age. In the other words, it explains that younger respondents were more interested in applying for the SHS programme compared to older respondents.

In order to identify the reasons as to why respondents were interested in applying for the SHS, a detailed analysis is done by using a cross-tabulation between respondents' tendencies of applying for SHS with their socio-economic backgrounds was made. These findings is shown in Table 6.25.

Table 6.25: Respondents' inclination of joining the business sector according to occupation

Business sector respondent is interested in	Occupation										Total	
	Paddy farmer		Rubber tapper		Small business		Village manual labor		Others			
	F	%	F	%	F	%	F	%	F	%	F	%
Small Business	88	95.7	123	95.3	53	93	14	48.3	10	55.6	288	88.6
Wholesale	0	0	3	2.3	0	0	2	6.9	0	0	5	1.5
Modern Agriculture	2	2.2	3	2.3	4	7	2	6.9	1	5.6	12	3.7
Transportation	1	1.1	0	0	0	0	3	10.3	5	27.8	9	2.8
Contractor	1	1.1	0	0	0	0	8	27.6	2	11.1	11	3.4
Total	92	100	129	100	57	100	29	100	18	100	325	100

F= frequency, (n = 325)

Source: Primary Survey, 2009

Table 6.25 shows the cross tabulation between respondents who were interested in applying for SHS with their interest in joining the economic sector and occupation type.

The majority of respondents (88.6%) were interested in involving in small business. This followed by respondents interested in joining modern agriculture (3.7%), as contractor (3.4%), in transportation's field (2.8%) and wholesale (1. %). It was reported that the majority who were among paddy farmers (95.7%), rubber tappers (95.3%) and small businesses (93%) were inclined to join small businesses. About half who were among manual labours (48.3%) and others (55.6%) were also inclined to involve in small business activity.

Another cross-tabulation between respondents' preference in economic activity and the variable 'amount of sufficient capital to start and sustain in the preferred economic activity' was made. This result is presented in Table 6.26.

Table 6.26: Cross-tabulation between preference in economic sector and sufficient Capital

Interested economic sector to involve	Sufficient capital to start and sustained						Total	
	< M\$ 6,000		M\$ 6,000 to 9,999		> M\$ 10,000			
	F	%	F	%	F	%	F	%
Small business (retail, restaurant, market, etc)	0	0	2	0.7	285	99.3	287	88.6
Wholesale	0	0	0	0	5	100	5	1.5
Modern agriculture	0	0	0	0	12	100	12	3.7
Transportation	0	0	0	0	9	100	9	2.8
Contractor	0	0	5	45.5	6	54.5	11	3.4
Total	0	0	7	2.2	317	97.8	324	100

F = frequency, *n* = 324

Source: Primary Survey, 2008

Table 6.26 presents the cross-tabulation between respondents' sectoral preference to involve in economic sector and amount of minimum capital assistance required. The findings revealed that majority of respondents (97.8%) stated they require more than M\$ 10,000 to run their preferred economic sector. All respondents (100%) who were interested in involving in wholesale, modern agriculture and transportation sectors claimed that they require more than M\$ 10,000. The majority of respondents who were interested in small businesses (99.3%) also claimed that they require M\$

10,000 to start and sustain in the business. Only 54.5% of the respondents who were interested in involving in the construction sector stated that they require more than M\$ 10,000.

In the survey, respondents who were not interested in applying for SHS programmes were asked whether they were interested in involving in the current economic sector but in other places. The results for this question are shown in Table 6.34.

Table 6.27: Cross-tabulation between respondents' preference to become involved in their current economic sector in another location and their occupation

Interest to work in the same sector in other places	Occupation										Total	
	Paddy farmer		Rubber tapper		Small business		Village manual labor		Others			
	F	%	F	%	F	%	F	%	F	%	F	%
No	20	60.6	21	61.8	4	66.7	1	100	6	85.7	52	64.2
Yes	13	39.4	13	38.2	2	33.3	0	0	1	14.3	29	35.8
	33	100	34	100	6	100	1	100	7	100	81	100

F = frequency, n=81

Source: Primary Survey, 2008

Table 6.27 shows that the majority of respondents (64.2%) were not interested in involving in the same economic activity in another location. All (100%) village manual labour also claimed that they were not interested in involving in the same sector at the other places. This is followed by respondents who worked in other sectors (85.7%), small businesses (66.7%), as rubber tappers (61.8%) and as paddy farmers (60.6%).

Another cross-tabulation between respondents' preference to attend training and their types of occupation was also made. This is to identify respondents' willingness to improve their skills in the current sector even though they were not interested in applying for the SHS programme. This result is presented in Table 6.28 below.

Table 6.28: Cross-tabulation between respondents' preference to attend training and occupation

Interest to attend training	Occupation										Total	
	Paddy farmer		Rubber tapper		Small business		Village manual labor		Others			
	F	%	F	%	F	%	F	%	F	%	F	%
No	16	48.5	5	14.7	3	50	0	0	2	28.6	26	32.1
No Comment	4	12.1	10	29.4	0	0	0	0	4	57.1	18	22.2
Yes	13	39.4	19	55.9	3	50	1	100	1	14.3	37	45.7
Total	33	100	34	100	6	100	1	100	7	100	81	100

(n = 81)

Source: Primary Survey, 2008

Table 6.28 shows the respondents' preference to attend trainings by their types of occupation. The survey revealed that the majority of the respondents (45.7%) who were not interested to apply for SHS programme were willing to attend training. However, 32.1% were not interested in attending training and the remaining 22.2% did not answer the question. All respondents among the manual labourers were willing to attend training. This is followed by respondents who were working as rubber tappers (55.9%), small businesses (50%) and paddy farmers (39.4%). The least respondents who were willing to attend training were those working in 'other' category with only 14.3%.

6.3.1 Respondents' reasons for applying for SHS

This section focuses on the motivational factors behind the respondents' inclination of applying for SHS. The associated factors were existing *zakat* assistance, income, existing job, opportunity and motivation. The findings in Table 6.29 are presented by the mean scores. The higher the mean scores, the higher the respondents' inclination of agreeing with the factor presented.

Table 6.29: Motivators of inclination of applying SHS

	FACTORS	Mean	Std. Deviation
(1) Existing Zakat Assistance			
1.	The Annual Monetary Assistance I receive is not enough to serve as capital	4.64	0.591
2.	The Annual Monetary Assistance I receive is only enough to cover my basic needs/ expenses	4.41	0.546
3.	The <i>zakat</i> assistance I receive does not help me in the long term to escape from poverty	3.56	0.923
4.	I am not interested in receiving Annual Monetary Assistance for the rest of my life	3.99	0.790
5.	I want to change from being a <i>zakat</i> receiver to a <i>zakat</i> payer.	4.40	0.720
(2) Existing Income Factor			
6.	My current income is only sufficient to cover my basic needs/expenses	4.11	0.670
7.	My current income is not sufficient to provide me with better living conditions	3.55	0.899
8.	My current income does not enable me to escape from poverty	4.06	0.508
(3) Existing Job			
9.	My current occupation does not guarantee my future.	3.32	0.934
10.	There are not any other work opportunities here.	3.94	0.901
11.	I am interested in working independently – without renting	3.46	0.873
12.	My current occupation is not suited to my level of health and age	3.69	0.710
13.	I need to do additional work to increase my family's income	3.8	0.646
(4) Opportunity			
14.	I see a lot of potential for economic activities in this area	3.12	0.510
15.	I possess a skill that has the potential for growth	3.00	0.908
16.	My family members possess skills that have the potential for growth	2.19	0.970
17.	My current occupation has the potential for growth, but requires large capital	1.51	0.575
(5) Motivation			
18.	I am willing to take the risk of failure and leave my current occupation.	1.18	0.412
19.	I have friends who have succeeded after receiving economic assistance.	1.24	0.650
20.	There are government agencies which will help me if I have started my economic activity	3.64	0.884
21.	I have friends and family who will help me if I encounter failure	2.17	0.601
22.	I am confident that reliable economic assistance will help me increase my income	3.58	0.922
23.	I want to provide better education for my children	1.61	0.627
24.	I want a more comfortable house	3.06	0.921
(6) Constraints			
25.	Have no critical health problems	3.54	0.862
26.	Have no family members that need full attention	1.58	0.684
27.	Have no problem with transportation	1.31	0.720

Source: Primary Survey, 2009

The first segment of Table 6.29 shows the respondents' response of existing *zakat* assistance. Factors related to existing *zakat* assistance were the insufficient capital modal, the existing *zakat* assistance received is only sufficient to cover basic needs and

existing *zakat* assistance received was not enough to help the respondent breakaway from poverty. Other factors were respondents not interested to receive *zakat* assistance for the rest of their life and want to change their status from a receiver to a *zakat* payer. The survey revealed that existing *zakat* assistance being insufficient to be used as modal capital was the most significant factor ranked by respondents with a mean score of 4.64. This is followed by *zakat*'s being sufficient to cover only the basic needs (mean = 4.41), wanting to change their status from a receiver to a *zakat* payer (mean = 4.40), do not want to receive *zakat* assistance for the rest of their life (mean = 3.99) and existing *zakat* assistance received is not enough to help the respondents escape from poverty (mean = 3.56).

The second segment of Table 6.29 shows the response towards existing income related factors. Most of the respondents have shown a positive response towards the factor which was current income of respondent is only enough to cover basic needs with a mean score of 4.11. It was followed by the factors current income being insufficient to help respondent to escape from poverty (mean = 4.06) and current income of respondent being insufficient to live in a better life (mean = 3.55).

In the aspect of existing job related factors, no other job opportunities in their area was ranked as the most important factor (mean = 3.94), followed by the factor needing to have part-time job to increase income (mean = 3.80). Next, the factor current job is not suitable with respondents' health and age (mean = 3.69); wants to work independently (mean = 3.46) and current job is not promising for the future (mean = 3.32).

The fourth segment of Table 6.36 shows the response of respondents' towards opportunity related factors. The majority of respondents agreed that they have the skills that were potential to be developed (mean = 3.00) and many economic activity existed opportunities in this area (mean = 3.12). While most of the respondents have shown a negative responses towards the factor family members having the skills that could be

potentially developed (mean = 2.19) and the current job has potential to be improved but needed for large amounts of modal (mean = 1.51).

For motivation related factors, the existence of government agency that offered help if respondent would like to start economic activities has been ranked as the most important factor with a mean score of 3.64. This was followed by respondents feeling the confidence in economic assistance being able to increase family income with a mean score of 3.5 and wanting to provide comfortable shelter for family (mean = 3.06). Respondents have shown negative responses towards the factors of getting support from friend and families if they failed (mean = 2.17), the factor of wanting to give better education to children (mean =1.61), the factor of respondent having friends who succeeded after receiving the economic assistance (mean = 1.24) and willing to take the risk of leaving their current job (mean = 1.18).

For constraints related factors, having no critical health problems has been ranked as the most important factor with a mean score of 3.54 while respondents have shown a negative response towards the factors of no family members that need full attention and not having transportation.

Moreover, the mean score for each factor was identified to explain the respondents' tendency towards the factor. The result of this analysis is shown in Table 6.30.

Table 6.30: Mean score for each main factors

Factor	Mean
Existing <i>Zakat</i> Assistance	4.20
Existing Income Factor	3.90
Existing Job	3.64
Opportunity	2.45
Motivation	2.35
Constraints	2.67

Source: Primary Survey, 2009

Based on the result in Table 6.30, it shows that there are three main factors that motivated respondents to apply for SHS programe. The most important factor is the existing *zakat* assistance with mean score of 4.20. This result is in line with respondents' answers towards the factors related to the existing *zakat* assistance. In

addition, this finding is comparable with a study by (Noor, 2002) which proved that the existing *zakat* assistance received by respondents will influence their inclination and interest in applying for SHS programme.

In referring to Table 6.30, the factors related to existing income is the second most important factor with the mean score of 3.9. This finding shows that having low income leading to insufficient to escape from poverty state had influenced them to interested in SHS programme. Meanwhile, the factor of existing job is the ranked as the third important factors. This factor has mean score of 3.64. This finding is similar to the study found in the literature Noor (2002) and A.S.A. Bakar (2000).

Table 6.30 shows that respondents did not agree with the factors related to opportunity with mean score of 2.45, motivation (mean = 2.35) and constraints (mean = 2.67) that influenced respondents in applying for the SHS programme. However, a study conducted by A.S.A. Bakar (2000) concluded that the factor of having opportunity, skills and experience in a particular field would influence the tendency with which a person apply for SHS programme.

6.3.2 Reasons for not being interested in applying for SHS

Table 6.31 highlights several constraints of applying for SHS. The constraints factors are grouped into 5 categories, namely existing *zakat* assistance, existing income-related factors, economic activity-related factors, lack of motivation-related factors and constraints-related factors.

Table 6.31: Constraints in applying for SHS

Factors		Mean	Std. Deviation
(1) Existing <i>zakat</i> assistance			
1.	The annual <i>zakat</i> assistance we received has helped us escape from poverty	1.75	0.929
2.	Our annual monthly assistance is sufficient to provide for the family	2.46	0.975
3.	Annual monetary assistance is less risky than capital assistance	3.70	0.901
4.	Our current assistance is continuous as compared to capital	3.83	0.587

	assistance.		
5.	Financial assistance is better than any other forms of assistance	3.73	0.881
(2) Existing income			
6.	My current income is sufficient.	2.08	0.568
7.	My curent income is enough to help me escape from poverty	2.16	0.432
8.	My current occupation guarantees my future	2.43	0.987
(3) Economic activity			
9.	There is a lack of oppportunity in terms of economic activity in this area.	3.65	0.911
10.	I have not found an economic activity that is suited to my interests	3.75	0.623
11.	The profit from economic activity is slow	4.25	0.681
12.	The income from economic activity is not guaranteed as compared to my current income	3.74	0.441
(4) Lack of Motivation			
13.	I am not willing to take risks by leaving my current occupation	3.73	0.613
14.	I have friend who became poorer after receiving economic assistance.	3.11	0.316
15.	There are no successful receipters of SHS in this area.	3.84	0.432
16.	I do not have friends or family who would help me if I failed	3.99	0.661
17.	My current income is enough to provide my children with good education.	2.78	0.962
18.	My current residence is comfortable.	2.62	0.646
(5) Constraints			
19.	I have serious health problems.	2.06	0.827
20.	I have a family member who requires full attention due to health problems.	2.67	0.758
21.	I have problems related to transportation	2.41	0.985

Source: Primary Survey, 2009

The survey findings revealed that the *zakat* assistance received being given continuously compared to capital assistance was the most significant factor with the highest mean score of 3.83. The factor of cash receipt of *zakat* is better compared to other types of assistance (mean = 3.73) was the second most important factor, followed by *zakat* assistance received is being less risky rather than capital assistance (mean = 3.70). Table 6.31 shows that the mean score of 2.46 implying the natural tendency of respondents towards the factor that *zakat* received is way sufficient to cover the basic needs. In contrast, respondents showed negative inclination towards factor of existing *zakat* assistance received is being sufficient to be serve as capital with the mean score of 1.75. This shows that the respondents did not agree with the mentioned factor.

The second segment as highlighted in Table 6.31 shows the respondents' response towards the existing income related factors. The table shows that respondents

show negative response towards the factor has a job that will guarantee respondent's future (mean = 2.43). Amount of current income is sufficient to help respondents escape from poverty (mean = 2.16) and amount of current income is sufficient (mean = 2.08).

In the economic activity, profit from the economy activity being slow ranked as the most important factor can be influenced by their decline to apply for SHS with a mean score of 4.25. This is followed by no economic activities that have yet suited to respondents' interest (mean = 3.75), profit from economic activity being not guaranteed compare to current salary (mean = 3.74) and the lacked opportunity for respondents to involve in economic activities in their area (mean = 3.65).

Consequently factor respondents' not having friends or families who were willing to help if they failed was reported as the most important factor influencing respondents' hesitation in applying for SHS with a mean score of 3.99. This was followed by the factor no SHS *zakat* assistance receiver succeeded in respondent's area (mean = 3.84) and respondents not willing to take the risk of leaving their current job (mean = 3.73). This was followed by the factor there being a friend who become poorer after receiving economic assistance (mean = 3.11). There was a negative responses on factors related to current income being able to give a good education to children (mean = 2.78) and current shelter being currently comfortable (mean = 2.62). This shows that respondents did not agree with these two related motivation factors.

For constraint factors, it was reported that respondents showed neutral or no comment towards factor of there was a family member who needed full attention due to health problems (mean = 2.67). In contrast, respondents have shown negative responses or disagree towards the factor of having transportation problems (mean = 2.41) and having health problems (mean = 2.06).

Table 6.32: Factors influencing the hesitation of the respondents in applying for the SHS

Do not know factor	Mean
Existing <i>zakat</i> assistance	3.09
Existing income	2.21

Economic activity	3.84
Lack of Motivation	3.35
Constraints	2.37

As shown in Table 6.32 above, the majority of the respondents had declined to apply for SHS due to the factors related in involving in economic activities (mean = 3.84), the lack of motivation (mean = 3.35) and being satisfied with the existing income (mean = 3.09). Meanwhile, the limited income and other constraints have been seen as less significance to contribute towards inclination of the respondents in applying for the SHS.

6.4 Conclusion

Research was conducted to find answer to the question of : “Why are AMA recipients not applying for the SHS fund?”. The survey conducted shows that 80% respondent interest in economic assistantship assistances. However the AMA recipients are not appealing for financial aid from SHS due to the fact that they have not been aware of the existence of that fund. The findings revealed that the majority of respondents (about 89.7%) were not aware about the existence of the SHS programme. Only 10.3% of them were aware of the existence of the SHS programme. Moreover, based on the literature review, it was found that *zakat* recipient with aged below 55 years old are more interested to apply for such assistances in order to upgrade their income and quality of life compared to those with aged above 55 years old. From the findings, it revealed that the younger respondents (98.2%) were more interested in applying for SHS compared to older respondents (12.3%).

The findings have shown that respondents’ awareness of SHS programme is significantly related with the socio-economic and *zakat* assistance characteristics which are rate of districts’ collection, number of years respondents receive *zakat* and distance of respondents’ house from the KDoZ office. Most of the respondents aware of the SHS programme come from districts with high accumulation of *zakat* collection. This can be

proved where 27/36 respondents are from high *zakat* collection districts. A majority of the respondents (28/36) who are aware of SHS live within 10km radius from KDoZ office. The same phenomenon occurs to respondents who are aware of SHS, a majority of them (23/36) stay within 20km from the headquarters office.

The analysis of perception towards the factors motivating respondents towards applying SHS programme revealed that 80% of respondents claimed that they were interested to apply for the SHS programme while the remaining 20% were not interested. There are three main factors that motivated the respondents to apply for SHS programme which are existing *zakat* assistance (mean = 4.20), amount of existing income (mean = 3.90) and the factor of existing job (mean = 3.64).

From the findings in table 6.33, respondents' preference to associate in economic sector is influenced by their occupation type where a majority of respondents (88.6%) are interested to involve themselves in small businesses. However, a majority of respondents who were interested in small business (99.3%) claimed that they require M\$ 10,000 to start and sustain their activity in the sector although they do not have the capital resources. This is in line with the findings where respondents mentioned that their existing *zakat* assistance is sufficient to cover only the basic needs (mean = 4.41).

Respondents who were interested in applying for SHS due to the desire to change their status from a receiver to a *zakat* payer (mean = 4.40), do not want to receive *zakat* assistance for the rest of their life (mean = 3.99) and claimed that existing *zakat* assistance received is not enough to help the respondents escape from poverty (mean = 3.56).

Meanwhile, those who mentioned the factor of their existing job as the motivator to apply for SHS stated that the lack of other job opportunities in their area is the most important factor (mean = 3.94). This was followed by the factor of needing to have part-time jobs to increase income (mean = 3.80), the current job is not suitable with the respondents' health and age (mean = 3.69); respondent wants to work independently (mean = 3.46) and current job is not promising for the future (mean = 3.32).

In contrast, those who declined to apply for SHS claimed that they were influenced by the factors related to economic activity (mean = 3.84) in which they claimed that profit from the economic activity is slow (mean = 4.25) as the main reason behind their decision. In addition, they were also not interested in applying for the SHS due to lack of motivation (mean = 3.35) in which the factor of respondents' not having friends or families who were willing to help if they failed (mean = 3.99) was the main reason highlighted by respondents. Respondents also mentioned that factor of satisfaction with the existing *zakat* assistance received (mean = 3.09) as one of reasons as to why they are hesitant in applying for the SHS. The main reason associated with the factor is that the respondents already have jobs that will guarantee their future (mean = 2.43).

Chapter Seven

Observations from the Interviews

7.0 Introduction

This chapter describes and explains the analysis from interviews with officers and former officers of KDoZ and is divided into four main sections. The first section discusses the phenomenon of the low number of recipients of SHS programme. The second section discuss the phenomenon of the failure to distribute directly the SHS programme in the form of financial and material support straight to the AMA recipients. The third section discusses the phenomenon that has led to the KDoZ putting little attention on investments benefiting the poor. The fourth section discusses the perceptions of a lack of cooperation with other rural agencies. Finally, the conclusion will highlight the main findings of the analysis.

7.1 Respondents' background

The interviews were conducted over a period of three months, from March, 2009 until June, 2009. A total of eleven respondents were interviewed. The respondents were the committee member of the KDoZ, former committee members of the KDoZ, the *zakat* executive officers and the *zakat* officer at the KDoZ district branch. Each respondent was assigned with a code. For example, 'DZO1' represents respondent number 1 from the *zakat* office of the district level. The code of reference according to the respondents' background is shown in Table 7. 1

Table 7.1: Coding according to respondent's background

	Coding	Num. of respondents
Committee members	CM	3
Former Committee members	Former-CM	1
Executive Officer	ZO	2
Officers of the KDoZ branch	DZO	5
Total		11

7.2 Perception on a lack of awareness on the existence of the SHS programme.

The results from the respondents' perceptions have produced four main themes which are; a lack of promotion, a lack of staff, the *imam* has no time and avoids begging. The themes according to respondents' responses shown are in Table 7.2 below.

Table 7.2: Factors influence to the lack of awareness among the poor about SHS

	CM1	CM2	CM3	Former CM1	ZO1	ZO2	DZO1	DZO2	DZO3	DZO4	DZO5
Lack of promotion	Y	Y	Y	Y	Y	Y	Y	Y	-	Y	Y
Lack of staff	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
The <i>imam</i> have no time	Y	-	-	-	Y	Y	-	-	Y	Y	Y
Avoid from begging	Y	-	-	-	Y	-	-	Y	Y	Y	Y

Source: research interview, 2009

*(Y) = Yes, (-) = No

7.2.1 Lack of promotion

There are sub-themes derived from a lack of promotion, namely internet and written media: not reached the poor, a lack of promotion through banners and buntings, and no economic project to promote.

7.2.1.1 Internet and written media have not reached the poor

The promotion of the SHS programme through the written media has been carried out in the annual reports *zakat* and brochures. In these reports, some of the receivers' pictures and the amount of assistance they receive can be seen in that report. Besides that, the KDoZ also produces specific reports on the SHS programme, where this report lists all the receivers' names along with the type of assistance they receive.

However the existing promotion of the SHS programme through the electronics and written media have not reached the poor. According to ZO2: "*Reports and the internet are quite difficult to be accessed by the poor, it can be only accessed by those*

who have internet facilities”. Another respondent (ZO1) highlighted the main purpose of producing annual *zakat* reports which are not meant for distribution to the poor, but to be distributed to *zakat* payers, visitors who go to the *zakat* office for official matters and researchers. He said:

“There is information on the SHS programme in the annual *zakat* reports. However, the information has not reached the poor because the reports prepared by us are made specifically for *zakat* payers, researchers or visitors who go to the KDoZ office.”
(Translated)

(ZO1)

7.2.1.2 A Lack of promotion through banners and buntings

This second sub-theme specifies that the KDoZ does not make any promotion on certain economic assistance programmes being assisted by the SHS programme through the announcements on banners or signs. Thus, the absence of promotion has caused information on the SHS programme to not being spread out to the local residents as well as other areas (ZO1 dan ZO2).

As discussed in sub-theme (7.2.1.1) above, ZO1 note that existing promotions through electronic (internet) and written media approaches are less effective. In his view, promotions through signs or banners as conducted by the AIM are more successful: *“The existing promotion is ineffective; the public will know the assistance offered if we use an approach which has been done by AIM in which they used banner or signs to promote their assistance”*. Another respondent (ZO2) states, *“In my opinion, promotions through banners and buntings to the poor using signs are more effective.”*

7.2.1.3 No economic project to promote

A respondent (former-CM) highlighted one phenomenon which has led to a lack of awareness on the SHS programme which has been due to non-existent economic projects for the poor conducted at villages. Economic projects conducted can be promoted by putting banners or any signs which inform people that the projects are assisted by the KDoZ.

Moreover, these types of promotions not only inform those who need the assistance but also the *zakat* payers. These approaches can convince *zakat* payers as they are able to see the *zakat* money is being used to aid the poor group. Carrying out economic projects for the poor is a form of commerce which leads to a much higher *zakat* collection. A former CM1 states that, “*the poor do not know about the SHS programme because there has been no economic project in villages to show that the KDoZ has offered the capital*”.

7.2.2 Lack of staff

The sub-themes that have been derived from this theme are (i) small number of staff (ii) *imam*: has not enough time.

7.2.2.1 Small number of staff

The respondents (CM1, ZO1, ZO2, DZO1, DZO2, DZO3, DZO4 and DZO5) highlighted that the small number of staff promoting the SHS programme through briefings, speeches and announcements has caused the poor group not to be aware of the SHS programme. This is due to the fact that the respondents felt that verbal approaches are better than promotions through electronics and published mediums. A lack of promotion due to the small number of staff is also voiced out by CM1, who is a member of the *zakat* committee. He states, “*we have only a small number of staff, we do not have much time to carry out the promotions, we also have difficulties in performing tasks in the office*”.

The distributon unit of the KDoZ is responsible for managing matters relating to the SHS programme. In the meantime, there is only one officer who administers any subjects regarding to the SHS programme, such as examining applications, preparing promotions, trainings and assisting as well as monitoring applicants. As a result, this unit is unable to provide promotions directly to the poor. ZO1 states that due to the lack of staff, he has concentrated more on checking the applications of the SHS programme as well as preparing the training programmes and providing advice services to existing SHS receivers. He also adds that he could not give full attention to the promotion of the

SHS programme; therefore, he has been asking for help from the *zakat* officers in each district to promote the SHS programme. ZO1 states:

“At our level (SHS distributor unit) there is only me, my task is more on processing applications, preparing trainings and programmes, I am inclined towards administration, I am incapable of monitoring the SHS recipients as well as finding potential receivers, in the meantime I am asking for help from district *zakat* officers to deal with the promotions.” (Translated)

Respondents DZO4 and DZO5 in the district level state that the promotion of the SHS programme directly to the villagers are not part of the *Zakat* District scope of work and that they do not have enough staff to carry out the promotions. Based on the existing capacity, they are only able to distribute aids and collect *zakat* at the same time as performing as *zakat* administration officials. DZO4 states, “*The role of the Zakat Officer is concentrated on the administration aspects such as to manage the receipt of zakat payments and to distribute zakat. Promotions are under the role of the zakat officer executive*”.

The district *zakat* officer has not carried out any particular promotion to help needy. However, there is publicity which is carried out informally to individuals who requested for the SHS programme. This carried out when they go into villages to distribute aid to the poor monthly (DZO1, DZO2, DZO3, DZO4 and DZO5)

“When I visit them personally back at their home village, there are several people who did ask about this economic assistance and I told them that they can apply for assistance in the form of equipment from the KDoZ. However, an application letter is needed.” (Translated)

(DZO2)

“All information about any aid and assistance we offer has never been kept in secret to them. We have nothing to hide as this is their rights and the funds are meant for the poor.” (Translated)

(DZO3)

“Of course we have informed about the SHS programme to the poor especially when we visit the villages to distribute the annual faqir assistance for the poor and they ask about other aids. So I suggest to them to apply for the SHS programme programme for support for equipment such as sewing machines and bakery utensils.” (Translated)

(DZO5)

7.2.3 Imam

The sub-themes that have been derived from this theme are (i) The poor seldom go to mosque (ii) the *imam* is busy.

7.2.3.1 The poor seldom go to mosque

One approach to overcome the shortage of staff in the promotion of the SHS programme is for the KDoZ to request the help of the *imam*. The KDoZ has chosen the *imam* instead of the headman to avoid the public perception that the KDoZ is influenced by any political party. This is because it is ruling party that appoints the village headman and not based on votes from the local community (CM1, ZO1, ZO2 dan ZO3). According to CM1 by appointing the *imam* as the representative KDoZ at the grassroots level, negative perspectives are lessened as the *imam* is selected by the locals.

The *imam* helps to spread the SHS programme information by putting up brochures in the mosque and announcing them particularly before the Friday sermon (CM1, ZO1, ZO2, and DZO1). A respondent ZO2 states: “*The imam had helped by making announcements before they start performing Friday prayers as well as by pasting brochures on the notice board in the mosque*”. However, it has been found that the poor are not close to *imam* as they are hardly performing prayers in mosque. This means the poor that are not aware of the SHS programme. A respondent ZO2 states: “*The problem is that they (the poor) do not attend frequently the congregational prayer at the masjid. Thus, they receive no information, such as the SHS programme*”.

7.2.3.2 The *imam* is busy

The KDoZ had asked the *imam* to inform people about the SHS programme due to the fact that he can spread the news during his social visits to the local community. However, the respondents (ZO1, ZO2, DZO1, DZO2, DZO3, DZO4, DZO5) also highlight that this method is less effective as the *imam* has less opportunity to find the poor who can benefit from this SHS programme due to a lack of time. Among the feedbacks are as follows:

“This is because the *imam* consists of government and private staffs. They are subjected to official’s matters while the *imam* works on his own; farmers, rubber tappers and others are also busy with their daily activities.” (Translated)

(DZO2)

“It seems that appointing the *imam* as our representative can lighten the burden as the *imam* is the person who the local can refer to. Thus, in *zakat* matters, the poor need to refer to the *imam* in order to endorse their applications for *zakat* assistance. Previously, there are many complaints when we appointed the *amil* who is not from the *imam* because

they are difficult to find and difficult to meet. But, handing over the responsibility to promote the SHS programme to the *imam* is not easy for them as they have other priorities in order to earn their income and are busy with their daily activities as well as the responsibility as *imams*. Their allowances as *imam* are not enough for them to support their families.” (Translated)

(DZ03)

“Although we have assigned *imam* as the head of the Amil, do not necessarily they have to perform our (KDoZ) jobs. The *imam* had many things to do; so, it is not right to blame them for not promoting the SHS programme.” (Translated)

(DZO5)

7.2.4 Avoid begging

A majority of the respondents (CM1, ZO1, DZO2, DZO3, DZO4 and DZO5) has the same opinion; that the SHS programme should not be promoted widely as the poor usually take advantage to beg for the given assistance. There are certain numbers of poor people who request to apply for this assistance although they are not qualified:

“They will come continuously to the *zakat* office begging for their applications to be approved for the *zakat* assistance aid.” (Translated)

(CM1)

“The poor usually have the attitude of continuously begging for assistance as they heard about the news. They are really alert about any aid and assistance that are offered and will keep asking for it. That is why we are not doing the large-scale promotion as they will definitely come again and again.” (Translated)

(ZO1)

“They are really attracted to the news related to any help and assistance for the poor. They are willing to come frequently to the office and ask about the help”.

(DZO5)

The respondent (ZO1) mentioned that this problem is hard to control, as KDoZ did not have online database for the poor for the whole state of Kedah. Consequently, the beggars receive aid and assistance from various agencies especially from rural agencies. He says; “*we (KDoZ) hard to control the beggars because the KDoZ have no information from other agencies*”.

7.3 Perception on the failure to distribute the SHS directly to the AMA

This section discuss the responses of respondents towards the question the why the SHS is not given directly to the AMA recipients who are capable of working. The themes

derived from the interviews are 1) small *zakat* revenue, 2) previous programme failed, 3) To avoid spending on beneficiaries of the *amil*, 4) Committee.

7.3.1 Small *zakat* revenue

There are three sub-themes derived from this theme; 1) SHS: for those who are already involved in economic activities; 2) small local collection; 3) small number of staff. The respondents' responses according to the sub-themes are presented in Table 7.3.

Table 7.3: Responses of respondents according to sub-theme

	CM1	CM2	CM3	Former CM1	ZO1	ZO2	DZO1	DZO2	DZO3	DZO4	DZO5
SHS: for those who are already involved in economic activities	Y	Y	-	-	Y	-	-	-	-	-	-
Small Local Collection	Y	-	-	-	Y	-	-	-	Y	-	-
Small Number of Staff	Y	Y	-	-	Y	Y	Y	Y	Y	Y	Y

Source: research interview, 2009

*(Y) = Yes, (-) = No

7.3.1.1 SHS: helping Muslims already involved in economic activities

The response from this sub-theme is acquired from respondents at the committee level and from the executive *zakat* officer. The respondents are CM1, CM2 and ZO1. The respondents highlight that direct distribution of business capitals to the AMA recipients requires a lot of money. This is due to the fact that, besides business capital, the AMA recipients need to be given business guidances and training course. This method of assistance cannot be practised by the KDoZ due to the small amount of *zakat* revenue.

Among the responses are:

“This method of providing business capital assistance to them (AMA recipients) is not viable as the *zakat* money is not enough to bear the costs.” (Translated)
(CM1)

“It is hard to implement this scheme as the money is just not enough.” (Translated)
(CM2)

The current approach of the SHS distribution is based on the ‘assist’ concept. This means that the SHS programme is given to those who have already started a business. The total cost of assistance needed for those who have already begun a business is lower than the cost of assistance for those who have not started any businesses yet.

Respondent CM1 highlights the connection between the SHS method and the small amount of *zakat* money as: “*Our approach concentrates more on assistantship since the accumulation of zakat collection is relatively small. Therefore if there is any of the poors whom already start a business, we would be really glad to help*”. The respondent further explains regarding the connection between ‘assist’ concept with the total amount of assistance given: “*Actually the SHS programme wants to help that is why the total that we can give is only about M\$ 1000 – 2000. We (the KDoZ) can just help.*”

Furthermore, the respondents (CM1 and ZO1) state that the SHS programme is not suitable for the AMA recipients because they (the AMA) are not seriously venturing in business activities. Most of them work as paddy farmers and rubber tappers. They are remunerated by the landowners of the paddy fields and rubber estates:

“We don’t provide this assistance to the AMA recipients because they are not involved in business activities at all. The land owners pay them for their works at the paddy fields and rubber estates.” (Translated)

(CM1)

“Most of these AMA recipients do not venture into businesses...their works are based on what they do, that is driving lorries, rubber tappings and toiling at the paddy fields.” (Translated)

(ZO1)

The average income of an AMA recipient is M\$ 300 per month. Thus, the intention of the AMA assistance is to lessen the financial burden for the poor group during the Islamic month of Ramadan. The purpose of this assistance is to provide enough food supply throughout the month and in preparation for *Eid*:

“Their income is around M\$ 300 per month. Thus, we help them in a way by lessening their financial burden. Our AMA approach is to aid the poor for preparation of Ramadan and *Eid*. We helped them by giving M\$ 300 to M\$ 400.” (Translated)

(CM1)

“KDoZ provide assistance programmes to help the poor especially in the coming of a festivity. We give AMA during the month of fasting (Ramadan). This is to assist them in celebrating Ramdan and *Eid* as their income is just M\$ 300 per month that is why this AMA is given In addition, we also give AMA to those with a lot of children to be fed.” (Translated)

(ZO1)

The SHS programme is not given to the AMA because it is feared that the recipients would lose their income. This is true, as the recipients would have to leave their current work and enter the business world as stated by respondent CM1. There is a risk that the recipients would make their life more difficult through business therefore, the capital assistance is not suitable for the recipients:

“The SHS programme is not suitable for the AMA recipients although they are interested and are skilled. They have to focus only on the business and pour their resources and time into it if we give them the capital assistance. However if they fail in this economic activity, they would be worse off than before. So that is why the SHS programme should not be given.” (Translated)

(CM1)

7.3.1.2 Small local collection

This subtheme is the feedback from respondents from all three levels of the KDoZ hierarchy. The respondents are CM1, ZO1 and DZO3. In current practice of the KDoZ, the *zakat* revenues are recorded according to district. Both Kuala Muda and Kota Setar have the highest number of *zakat* collection. Other districts have only small amounts of *zakat* collection. The districts with this small *zakat* collection are mostly rural and agricultural areas.

According to respondent CM1, the distribution of *zakat* depends on the collections of each district. The poor staying in districts with low *zakat* collection have less opportunity to become recipients of the SHS programme. This is due to the high amount of *zakat* being channelled to the AMA and Monthly Monetary Assistance (MMA) programme. In addition, the amount of financial assistance for both the AMA and the MMA programme exceeds the total *zakat* collections in districts with low *zakat* collections. The *zakat* collection from the district with the highest collection would be provided to districts with the low *zakat* collections. Therefore the poor in districts with low *zakat* collections are considered lucky as they still receive assistance although the *zakat* collection in own respective district is rather low:

“The distribution of *zakat* depends on the performance of the *zakat* collection from each district. If the collection is rather low, then how can we want to distribute the capital assistance the money has been spent for financial assistance. In addition, we have to

acquire *zakat* from those districts with high *zakat* collection (Alor Setar and Kuala Muda) that is a bonus for the poor in the low *zakat* collection district.” (Translated)

(CM1)

Currently, there is an effort to search for potential candidates among the poor who are already involved in businesses to be given the SHS programme. This search is conducted only in areas in the city of Alor Setar which is located in the Kota Setar district as this area has the highest amount of *zakat* collection in the state of Kedah. This is undertaken in order to avoid the *zakat* payers from criticizing KDoZ’s effort in helping the poor:

“In the case of Alor Setar, we are required to find people who are in businesses to be given capital assistance; we shall give as this is the area with the highest *zakat* collection. Thus to tone down the complaints by the *zakat* payers, we are obliged to search for candidates to receive this assistance.” (Translated)

(CM1)

“We have to look for people who are involved in businesses and give them the capital assistance...if we do not do that, the public will complain as the collection in Alor Setar is the highest.” (Translated)

(ZO1)

Respondents CM1, ZO1 and DZO3 states that the distribution of other assistance programmes other than the SHS programme also adheres to the parameter set by KDoZ that is the performance of the *zakat* collection of each district. Respondent DZO5 comments that the Secretary of the KDoZ committee has rejected the application for *zakat* assistance for mosque repair works in a village in the Padang Terap district due to the district’s low *zakat* collection. The people only work as rubber tappers and do not pay the *zakat*:

“It is undeniable that the distribution of the SHS programme and other assistance programmes depends on the local *zakat* collection. There was one application from the kariah Committee of Kampung Dato’ Mosque whose community income is based on rubber tapping. The application was for the renovation of a mosque. Nevertheless, the top management did not approve the application because there is no *zakat* collected from that area. If the application came from an area where the *zakat* collected is low, the amount given would depend on the generosity of the SU (State secretary).” (Translated)

(DZO5)

Respondent CM1 explains that even if the amount of *zakat* collected in each district is high, not all communities in these districts receive *zakat* assistance,

particularly the paddy planters. An example is Alor Setar, where paddy planters are a part of the local community. In December 2005, many houses near the river of Sungai Terap in Padang Terap were damaged by flood. The flood also damaged the paddy fields in a downstream area of Kota Setar and Kubang Pasu. The KDoZ was less helpful to villagers who lived in the three districts affected by the flood.

“The *zakat* on paddy collection has reduced but they still want our assistance. How can we provide them assistance if the collection in their area is rather low?” (Translated)

(CM1)

Another respondent ZO1 also admits that the distribution of assistance is influenced by the amount of *zakat* collected. If an area or institution has substantial amounts of *zakat* collection, assistance programmes would be organized for that area:

“In 2004, the KDoZ introduced school uniform assistance to reduce the poor families’ financial burden of their children’s education. In this programme, the KDoZ gives M\$ 3000 to every school in every district. Every school, therefore, can buy the number of school uniforms required, which they distribute themselves to their poor pupils. The idea of the programme is to appreciate and show to the teachers that *zakat* paid by them is to help the poor. Furthermore many of *zakat* payers are teachers.” (Translated)

(ZO1)

7.3.1.3 Small number of staff

This sub-theme is the feedback from respondents from all three levels of the KDoZ administrative hierarchy. There are nine respondents (CM1, CM2, ZO1, ZO2, DZO1, DZO2, DZO3, DZO4 and DZO5) who clarify that the SHS programme cannot be distributed to the AMA recipients because of a lack of staff. Respondent CM1 highlights that the relation between a lack of staff and the direct distribution of the SHS programme to those who are able to work as: “*We are not able to distribute the zakat assistance due to our limited staff. The office would be in shambles if we go down to villages and rural areas, so we are caught in the middle of this situation.*”

Respondent ZO1 further explains that the small number of staff hinders the committee to introduce or support new economic programmes: “*The problem of a lack*

of staff influences the implementation of new programmes. As we proposed to the committees for a new economic programme, they asked for a review due to a lack of staff to look over it.”

7.3.1.3.1 Avoid spending over *asnaf amil*

When a question asked why the KDoZ does not enroll more staff, the respondents from the district office (DZO1, DZO2, DZO3, DZO4 and DZO5) cannot respond as human resource matters are under the purview of the committee. Four respondents CM1, CM2, ZO1 and ZO2 state that enrolling more staff would incur more expenditure on *asnaf amil* thus it is avoided. According to CM1, the proposal to the committee of the KDoZ has been put forward to the *zakat* committee for staff employment. But the other committee members do not agree as they are concerned that the expenses on *asnaf amil* will be more than 1/8 if more staff is being employed. This issue will cause more public inquiry and criticism on *asnaf* expenses and they then have to face with the Sultan:

“Every year we table to committee for enrollment of more staff but other committee members are reluctant to do so because enrollment of new staff might increase the expenses of *asnaf* bigger than 1/8. We (committee) have to respond to this matter if the Sultan inquires us.” (Translated)

(CM1)

“We do hire staff but not in large numbers, if we have mass recruitment, the expenses of the *asnaf amil* would increase. The public would not understand the fact that we depend solely on the *asnaf* money for administration, thus, when there is more expenditure (*asnaf* expenditure) the public would complain, then, we have to face the Sultan to explain the matter...this is difficult work.” (Translated)

(CM2)

According to ZO1, they cannot acquire more workforces due to limited *zakat* funds. This is due to the fact that all the administration of *zakat* survives on *zakat* collection. The source of finance for the administration comes from *asnaf amil* that is 1/8 from the total *zakat* collection. The Kedah state government does not finance the KDoZ although other state governments finance the administration of their *zakat* departments:

“We are not capable of providing the SHS programme to the poor (the AMA recipients). We are lacking in manpower and we cannot increase the manpower because the *zakat* funds are just not enough. This is why we are different from other *zakat* agencies because our administration costs depends much on *zakat* collection that is 1/8 of the collection whereas *zakat* agencies in other states receive some help from their respective state governments”

(ZO1)

7.3.2 Failure

Another emerging theme in the study relates to the absence of capital assistance for the AMA recipients are the factor of failure. This theme was highlighted by respondents from the *zakat* committee level, *zakat* officer and Officer of KDoZ branch. Respond of respondent according to the sub-themes shows in Table 7.4.

Table 7.4: Responses of respondent according to sub-theme

	CM1	CM2	CM3	Former CM1	ZO1	ZO2	DZO1	DZO2	DZO3	DZO4	DZO5
Failure of SHS recipients	Y	-	-	Y	Y	Y	Y	-	Y	Y	-
Loss of <i>zakat</i> funds	Y	Y	-	-	-	-	-	-	-	-	-

*(Y) = Yes, (-) = No

(Source: Research interview, 2009)

7.3.2.1 Failure of the SHS recipients

This sub-theme is highlighted by a majority of respondents (Table 7.4). This sub-theme presents the fact that, because a majority of the SHS recipients have failed in their businesses; the distribution of business capital assistance to the AMA recipients who are able to work has been stopped to avoid further failures. Thus, there is a high risk of failures and losses if the assistance is given to the AMA recipients who have no experience in business.

At the committee level, a respondent CM1 presents the connection between the failure factor and the non-execution of the method:

“ As if we don’t want to give the assistance (SHS) to the AMA recipients or want to make any plan but there are so many people (previous SHS recipients) who bee given help did not do well.” (Translated)

(CM1)

Another respondent (former CM) believes that the *zakat* committee is not interested in organizing any economic activities for the poor because the perception that

these recipients would eventually fail: “*When I proposed an economic programme to them (zakat committee), they rejected it on the grounds that the risk of failure is too high.*”

Respondents ZO1 and ZO2 amongst the executive officers also placed the failure factor as the ultimate reason to stop the distribution of capital assistance to the AMA recipients. Both respondents state that the previous failures of the SHS recipients as the reason for not executing that method of assistance. Respondent ZO1 states that previous SHS recipients sold all the equipments provided for their businesses after losing the momentum to do their business:

“There are poor people who came to us asking for help we gave them grass machines, boats, sugar cane machines and many more but after we gave the equipments to them, they did not manage their business well. Some of them sold the equipments while others quit and are still not working.” (Translated)

(ZO1)

Another respondent (ZO2) adds that the failure factor has also caused the promotions to be toned down and has limited the publicity on the SHS programme:

“We cannot give to them (recipient of the AMA) just like that because many of the previous recipients have failed. Some of them had sold the equipments that we gave, lost them and there are so many other reasons given by them. So, that is why we do not carry out much publicity. They love this assistance programmes if they caught news of them, they will keep asking and inquiring about the assistance...every day they would come and ask us if any assistance is readily to be distributed and can be acquired by them.” (Translated)

(ZO2)

One of the crucial questions asked to the respondents is why they do not look and find any potential candidates to receive the SHS programme. All the respondents (DZO1, DZO2, DZO3, DZO4 and DZO5) clarify that there is no directive from the KDoZ secretary to identify potential SHS recipients. On the other hand, the KDoZ secretary issues letters to all district *zakat* officers to identify potential recipients for other programmes such as the AMA. The number of recipients is also decided by the KDoZ secretary. Among the responses from the respondents are:

“We do not go out to find recipients for the SHS scheme usually we perform our tasks based on the directives of the secretary. It is easy for us in the case of the annual assistance for the poor as we receive official directives from the secretary asking us to find the number of potential recipients as prescribed and this makes our work easier. However the secretary never asked us to find potential recipients for the SHS programme.” (Translated)
(DZO4)

“The SHS programme is quite different from the other assistance programmes for the poor because official letters are issued for the other programmes. The directives in the letters assign us to search for potential recipients according to the allotted amount. Thus, this makes our work easy. We can seek help from the local *imam* to find the recipients too. As for the SHS programme, we do not receive any letter that assign us to search for any potential recipients.” (Translated)
(DZO3)

When asked as to why the KDoZ secretary did not issue letters to identify potential SHS recipients, the respondents (DZO1 and DZO4) state the failure factor being the reason why letters are not issued:

“Maybe because a lot of the recipients have failed in their business ventures thus the secretary reacts to this problem by not issuing any letters for us.” (Translated)
(DZO1)

“I do not know why the letters were not issued about the SHS recipients. They always fail in their businesses. Maybe that is the reason the secretary did not issue letters.”
(Translated)
(DZO4)

Respondent DZO4 comments that the background check for the SHS programme application is a waste of time. According to DZO4, the secretary had assigned the district *zakat* officer to perform a background check on applicants and it had been found that some applicants are eligible to receive the SHS programme. However, they failed to continue their businesses when the assistance is given. Based on that premise, he is currently not keen on doing background checks on the SHS applicants.

“I have received a letter from the SU to prepare a report on people who have asked for the SHS programme. I am wasting my time preparing for it. I am also the one who prepares previous reports but, after we have given the assistance, they have not become successful. This is does not involve only one or two people but many of them end up failing. Up till now I did not check the recipients. Let it be, though, the Headquarters have not asked me anything.” (Translated)
(DZO4)

When asked why the respondents did not assist the recipients until they meet with success, the respondents (Z02, DZO1, DZO2, DZO3, DZO4 and DZO5) did not give any opinions. They all state that all policies on the management of the *zakat* are the responsibility of the *zakat* committee. Respondents CM1 and ZO1 state that, due to the “committee” factor, the approach of helping the poor right until they succeed is not practised. This finding shall be discussed in sub-section 7.3.3. Another respondent CM2 states that the approach of helping the poor until they succeed would be practised in future, as they currently have limited *zakat* funds: “*we (the zakat committee) will plan towards that vision in the future due to limited funds, we cannot execute it now.*”

7.3.2.2 Loss of *zakat* funds

Respondent CM1 believes that the AMA recipients have a high risk of failure even though they are always given assistance. The failure of these recipients causes losses to the *zakat* funds: “*If we help them countless of times they would still find it difficult to succeed as the zakat funds are not that much. So, losses would occur.*”

The respondent continues explaining that the failure factor is also one of the reasons for the small amount of SHS programme given to applicants. The assistance provided is under M\$ 2,000. If there are any failures, the amount would not cause significant losses to the *zakat* funds:

“We can give assistance of more than M\$ 6000 as we do not have any limits. There are recipients who have received boats priced more than M\$ 6000. Nevertheless, we have to examine the recipient if the recipient is hard working and we are confident about him. Then, we assist them although many of them failed in the end. That is why we have reduced the amount of assistance...that is less than M\$ 2000.”(Translated)

(CM1)

“This poor community sometimes have big dreams; some would want to open a grocery shop at their home. Thus, they want to enlarge their house. Some sell stuff on their motorbikes but now wants to do business at the wet market. The capital required is not small at least more than M\$ 10,000. The top management fear to give them assistance...the fear of their failure.” (Translated)

(CM1)

Respondent CM1 states that capital assistance is given to the AMA recipients and, at the end, if they failed in their businesses, they would seek other assistance

especially monetary ones. Thus, it is best if the AMA recipients continue to receive the AMA assistance rather than be given the SHS programme: “if they (the SHS recipients) fail, they would come back to the KDoZ to ask for other monetary assistance. If this is the situation, then it is better they be given money instead.”

7.3.4 Committee

This theme discusses why the committee is one of the reasons why the AMA recipients have not been given the SHS programme. There are two sub-themes under this theme which are 1) A lack of experts in managing the *zakat* fund 2) To ensure trust and confidence from the *Sultan*. Responses of the respondents according to the sub-themes are shown in Table 7.5.

Table 7.5: Responses of respondent according to sub-theme

	CM1	CM2	CM3	Former CM1	ZO1	ZO2	DZO1	DZO2	DZO3	DZO4	DZO5
A lack of expert in managing the <i>zakat</i> fund	-	-	Y	Y	-	-	-	-	-	-	-
To ensure trust and confidence from the <i>Sultan</i>	-	-	Y	Y	-	-	-	-	-	Y	-

*(Y) = Yes, (-) = No

(Source: Research interview, 2009)

7.3.4.1 A lack of expertise in managing the *zakat* fund

This sub-theme is highlighted by CM3 and former-CM. Both of them are on the *zakat* committee. The respondents explain that a majority member of the KDoZ committee is not qualified to administer the *zakat* because they do not have enough knowledge on *zakat* management. Respondent CM3 stresses that, even though some of the members are qualified with Islamic religious education background, they lack the skill in *zakat* management:

“They are not skilled in *zakat* management matters although they are religious. Being religious does not mean they have vast knowledge on *zakat*. There is this person who sits on the Kedah *Zakat* Committee (KDoZ) who is not an expert in the administration and laws of Islam includes *zakat*. He is just a graduate in Arabic language but it seems everyone listens to him.” (Translated)

(CM3)

“They (the KDoZ) do understand that the poor must be helped until achieving success if they fails do not cut off the assistance they should still find a way to help them and not by letting them go.”

(Former CM1)

Both respondents agree that, due to this flaw, they are not able to implement the business assistance approach for the AMA recipients who are able to work. Respondent former CM1 disagrees that the limited *zakat* funds is the cause for stopping this approach. According to him also, based on the current *zakat* collection, this approach can be implemented by setting a quota of the poor who are going to receive annual capital assistance: “*Now the collection is abundant. We should move towards that approach as this year we (KDoZ) must focus to search for 100 people to help them free from poverty. We can produce anything like junk food for example.*”

Respondent former CM1 further justifies that, by helping the poor escape from poverty through the SHS programme, Muslims in general would be compelled and motivated to pay *zakat* to the KDoZ. This would in turn increase the amount collected. However the *zakat* committee has not given enough attention to the *zakat* distribution, they would rather focus on the *zakat* collection:

“At the moment, the collection has increased, but not as much as Selangor. The current collection makes it possible to implement the approach. The problem is that the KDoZ gives priority to the explanation of the collection of *zakat*. Supposedly, the KDoZ needs to implement the project in the village and put a signage informing that the KDoZ assists the project. Even though we invest hundreds of thousand, we are capable to get revenue of one million because the community has trusted us. If we give more assistance, the recipients of the *zakat* can focus on their work and help themselves to move out from poverty. The problem with the current committee is that they did not understand the real concept of managing *zakat*...managing *zakat* is just like being an entrepreneur.” (Translated)

(Former CM1)

7.3.4.2 To ensure trust and confidence from the Sultan

Respondents CM3, Ex-CM and DZO4 state that certain members of the *zakat* committee want to remain in their respective positions that are why they do not agree with the economic programmes with high risks of failure. When a programme fails, the Sultan would summon them for explanation. They feel that this would make the Sultan lose confidence in them. According former CM1, he had proposed several economic development projects to the *zakat* committee during his tenure as one of the members. However, it was met with rejection for fear to be called to face the Sultan: *“when I propose an economic programme...if anything happens (failure) our staff is not enough...we would be questioned (by the Sultan).”*

The committee members wish to avoid this at all costs as they are concerned that their reputation will be affected. Thus, they reduce the risks in losses by limiting the distribution of the economic programme. When there are no issues in *zakat* management, they will continue receiving from the Sultan to serve as a committee member. As highlighted by ZO1, *“the elite committee members do not want to show their weakness, such as failure in economic activities...they are concerned that they will not be able to continue to serve as committee members”*

He cannot accept any excuse that the Sultan would not agree to the proposed projects. Since he was appointed to the present position, he believes that the Sultan is open-minded and listens to the views from His Royal Highness’s officers. The Sultan would agree as long as it does not go against the teachings of Islam and there is no politics involved: *“In my opinion, all this while, working with him (as mufti)...the Sultan agrees as long as it fits the Shari’ah law and politics is not involved.”*

7.4 Perception on why investments benefiting the poor received little attention

This section describes the analysis from interviews with regards to the phenomenon that has caused the KDoZ to stop investing in real estate that provides job opportunities for

the poor. Based on the interviews, four themes have emerged regarding the perceptions on the causes of why there are fewer recipients for the SHS programme for the rural people in Kedah. They are i) difficulty dealing with the poor, ii) commercial properties: better rental revenue, iii) role of the Malaysian Government in alleviating poverty, iv) the KDoZ committee members are less interested in providing capital assistance for the capable poor (refer Table 7.6). In this section, these four themes identified as the cause for less recipients for the SHS programme are discussed.

Table 7.6: Themes according to respondents

	CM1	CM2	CM3	Former CM1	ZO1	ZO2	DZO1	DZO2	DZO3	DZO4	DZO5
i. Difficulty dealing with the poor	Y	-	Y	Y	-	-	-	-	-	-	-
ii. Commercial properties: Better rental return	Y	Y	-	-	-	-	-	-	-	-	-
iii. Role of the Malaysian Government in alleviating poverty	Y	Y	-	-	-	-	-	-	-	-	-
iv. The KDoZ committee members are less interested in providing capital assistance for the capable poor	Y	-	Y	Y	Y	Y	-	-	-	-	-

*(Y) = Yes, (-) = No

(Source: research interview, 2009)

7.4.1 Difficulty dealing with the poor

This theme shows that there is no interest in buying real estate that provides job opportunities for AMA recipients as the KDoZ committee are not satisfied with the current situation of the poor renting KDoZ's properties. This theme highlighted by

respondent CM1. There are two sub-themes related to this theme that are 1) Problems in collecting land rental 2) Decrease in paddy *zakat* collection.

7.4.1.1 Problems in collecting land rental

Respondent CM1 highlights that the KDoZ is among the earliest *zakat* agencies to invest in real estate around 1960-1970. The real estate is in the form of paddy fields bought from owners who cannot pay back their money lenders. Muslim owners of these paddy fields have made their lands as collateral. Thus to avoid the land owners from losing their jobs, the KDoZ acquires their land and rents it back to the owner or to the poor:

“Other *zakat* agencies were surprised on how we can buy property and rent it to the poor group. Coincidentally for that time in the 60s and the 70s many Malay people wanted to sell their lands because of loan and heritage division.” (Translated)

(CM1)

Nowadays, according to CM1, the KDoZ committee is not very interested in acquiring lands to provide job opportunities for the AMA recipients. This is caused by the land tenants who pose difficulties in paying rental to the KDoZ. Annual land rental is around M\$ 700 – M\$ 800 and almost half of the tenants do not pay the rentals: “*They (tenants) cannot even pay us although we have set the rent at M\$ 700 to M\$ 800 per year for one relong.*”

When asked why there is rental payment since the poor must be assisted until they are successful. CM1 states that the rent revenue would be used to pay the land taxes as the KDoZ does not have provisions to pay for land taxes: “*The rent collected would be used to pay the land taxes as the KDoZ has no budget to pay for the land taxes*”.

Respondent CM1 further highlights that if the farmers (tenants) do not pay the land rental, the land would be given to another tenant; MADA: “*If the tenant faces difficulty in paying the rental, we then rent it to other people. We have already discussed with MADA and it seems that they have agreed.*”

7.4.1.2 Zakat on paddy

Another phenomenon that has made the KDoZ not interested in acquiring land to be rented to the AMA recipients is because a lot of tenants have not paid the paddy *zakat*.

The respondent CM3 states that the tenants of KDoZ lands did not pay *zakat* because of their uneconomical method of paddy planting. This has made their cultivation less successful in achieving the required standards to pay the *zakat*: “*A lot of our land tenants (paddy fields), do not pay zakat and their excuse is that their paddy cultivation does not has reached the prescribed nisab (standards) as they plant paddy like in the old days.*”

The respondents former CM1 point out that there is a need to lease KDoZ lands to MADA. MADA practices a systematic paddy plantation cultivation programme that is economic and profitable. This would make KDoZ receive the required land rent revenue and *zakat* from MADA:

“If we want to get more in return, we have to use the plantation system then only we will get a lot of revenue. That is why we want to give to MADA because they plant paddy in a modern way of plantation so the cultivation is good, then they would pay *zakat* to us and, in the same time we will also get to collect land rent.” (Translated)

(Former CM1)

7.4.2 Commercial properties: better rental revenue

Another phenomenon that has influenced the KDoZ committee not to acquire lands that provide job opportunities to the AMA recipients is due to better rental revenue prospects on commercial properties such as shops and offices. These properties could be leased to private and government agencies. Respondent CM2 points out that the practice of acquiring paddy fields and leasing them to the poor is no longer practised as the KDoZ has focussed now on investing in more profitable real estate such as acquiring commercial properties: “*That is the old method (acquiring paddy fields). Time has changed. We have to invest in better sectors such as acquiring office buildings and shops.*”

Respondent CM1 states that investments in commercial properties started since the completion of the KDoZ headquarters in Alor Setar in 1997:

“We developed this building (HQ) on that site. The building consists of eleven floors, three of which are occupied by the KDoZ and the remaining office spaces are leased to the Department of Employees Provident Funds, the Department of Housing, the Department of the Environment, the Department of Evaluation, and the Ministry of Education. Other facilities include a conference room and a banqueting hall, which rented to the public. So, we can use the revenue from the rentals to help the poor.” (Translated)

(CM1)

After the completion of the new headquarters office (known as *Menara Zakat*) in Alor Setar, the KDoZ started to focus on buying double-storey shop offices in each district. The KDoZ would locate their district offices in these premises. They would also lease the ground floors of these buildings to private and governmental agencies. The reason the KDoZ leased the premises to private and government agencies is because these tenants are able to pay the amount of rent required on time besides their financial capabilities in paying the high rental price:

“Now almost all districts have their own office buildings except for one or two districts. We do not have to be tenants anymore...for the double-story building we bought, we lease the ground floor to government and private agencies..we can set high rental price...and our tenants pay our rents on time, if we let the poor rent our commercial properties we do not know if they could afford it.” (Translated)

(CM1)

Respondent CM1 further states that the KDoZ will continue buying landed properties to be leased as car parking spots:

“The newest is that the KDoZ is planning to buy lands near its present head office, which would cost M\$ 4 million, and would be developed as a chargeable car park...the profit from this development would increase the *zakat* collected and it would also be used for the beneficiaries, particularly the poor.” (Translated)

(CM1)

7.4.3 Role of the Malaysian Government in alleviating poverty

This theme shows that the provision of lands to the AMA recipients to work on has not been very effective. According to CM1, the effective way of increasing the income of the poor through land development is by applying the FELDA approach: “*The effectiveness of poverty reduction approach required projects such as the FELDA programme.*”

According to CM1, The FELDA approach cannot be implemented by the KDoZ because of limited *zakat* funds. Respondents CM1 and CM2 highlight that the limited *zakat* funds is due to its system of dividing the funds into eight categories (*asnaf*) which means the *zakat* is used for other purposes besides helping the poor. This puts a constraint in acquiring real estate for the benefit of the poor:

“We have to understand that the *zakat* collection is not only to reduce poverty but also to share it with other *asnaf* if we get M\$50,000 per year and divide it into 8, how many can we get? That is why it is difficult to conduct economic activities.” (Translated)

(CM1)

“The *zakat* money is not that much. The total amount of that we have to divide into eight parts, thus it is not enough to execute projects.” (Translated)

(CM2)

According to CM1, assisting the poor through real estate development should be executed by the Government as they have the resources required:

“For the meantime, I do not think that the KDoZ can play an effective role in eradicating poverty. Instead, the government should be responsible for to this matter. The effectiveness of poverty reduction approach requires projects, such as the FELDA programme, which can be executed by Government because they have the money.” (Translated)

(CM1)

7.4.4 The KDoZ committee members are less interested in providing capital assistance for the capable poor

This theme gives a picture that internal factors pertaining to the *zakat* committee members has halted the AMA recipients from working further in rubber and paddy plantations. In Section 7.3.1 earlier, the respondents highlight a low *zakat* revenue factor that has caused the *zakat* committee to avoid acquiring lands for the AMA recipients to work on. Respondents, former CM1 and ZO1 state that the limited *zakat* fund is the cause for this predicament is untrue. According to the respondent CM1, the revenue from the KDoZ collection has increased. Therefore, the poverty reduction approach should be in a variety of the economic projects: “*Currently, the zakat collection has increased. We should move towards that approach (diverse economic projects) to reduce poverty. If not, let the Government do it.*”

Another respondent ZO1 states that the KDoZ *zakat* collection is higher than states that operate a variety of economic activities for the poor. Some states can implement them with a small collection of *zakat*. Therefore, the KDoZ can also implement them:

“I know that the KDoZ can vary their economic projects for the poor because I already visited the *Baitulmal* of Penang and their collection is less than us (the KDoZ) but they manage to do them so what is our problem.” (Translated)

(ZO1)

Respondents CM3, former-CM1 and ZO1 highlight that they had proposed economic projects to the *zakat* committee during the committee meeting. However, the

committee has no interest in implementing them. There are five sub-themes causing the approach not to be implemented: 1) negative perception towards the poor; 2) no support from elite committee members; 3) senior committee members; 4) chairmans; and 5) head of the *shari'ah* committee. Table 7.7 below shows the responses of the respondents according to the main theme.

Table 7.7: Themes according to the respondents

	CM1	CM2	CM3	Former CM1	ZO1	ZO2	DZO1	DZO2	DZO3	DZO4	DZO5
Theme 1:Negative perception towards poor	Y	-	-	Y	Y	-	-	-	-	-	-
Theme 2:No support from elite committee members	-	-	Y	Y	Y	-	-	-	-	-	-
Theme 3:Senior committee members	-	-	Y	Y	Y	-	-	-	-	-	-
Theme 4:Chairman	-	-	Y	-	Y	Y	-	-	-	-	-
Theme 5:Head of the <i>shari'ah</i> committee	-	-	Y	Y	Y	-	-	-	-	-	-

*(Y) = Yes, (-) = No

(Source: Research interview, 2009)

7.4.4.1 Negative perception towards poor

Respondent CM1 is not happy with the notion that the acquisition of commercial properties will not provide jobs for the poor. The respondent argues that revenues from the property rental would be channeled to the *asnaf* for the poor thus benefiting them:

“The rental money we have collected would be given back to the asnaf for the poor...in the end, the poor would gain its benefits.”

However, respondents Former-CM1 and ZO1 claim that there is no profit gained for the poor through buying shops and office buildings. According to ZO1, he does not believe that the revenue from property rental would be channelled to the *asnaf* for the poor. He adds that the portion of *zakat* channelled to the poor is from the property and

paddy *zakat* collections: *“The profit from the investment is also unclear. Currently the zakat fund for assistance of the poor are from the collection.”*

Respondent Former-CM1 argues that investment through buying building does not give benefits to the poor as well as to the KDoZ itself. The poor cannot be directly involved as tenants or workers. In other words, they cannot work to increase their income: *“Property investments do not brings any profit to the KDoZ and also to the poor...of course can make money from renting but the investment is not giving profit to the poor because it is not involving them in economic activities.”*

The next comment is about the ability of the KDoZ to maintain its range of properties. According to ZO1, the KDoZ lacks the expertise and capital to maintain and manage its buildings. Thus, when there are problems with the building’s facilities, the KDoZ has to hire contractors for services and repairs which are very costly. In addition, the interiors and finishing of the buildings are unattractive thus making it difficult to attract tenants, for example, a banquet hall owned by the KDoZ that is rarely used. A lack of maintenance is due to limited capital and the cost of building maintenance come from the rental revenue:

“Investments must be done carefully. Manpower and capital must be considered although we have our own buildings, we do not have the staff/manpower to manage them. Furthermore, the money is not enough if there is any damage we have to hire private contractors which are costly. It is also difficult to rent our spaces like the banquet hall, big and spacious but unattractive. The walls are not nice...the carpet is old...so people are not very interested. If we were to replace them we do not have the money to do so...we cannot even collect rent. Thus we finance the maintenance of these buildings one at a time.”
(Translated)

(ZO1)

When asked to respondents Former-CM1 and ZO1 as to why the *zakat* committee continued to acquire commercial properties, both respondents relate it with the factor of the negative perception of the *zakat* committee towards the poor.

Respondents Former-CM1 states: *“They (zakat committee) feel that the poor would always meet with failure when cultivating the acquired lands.”*

Another respondent (ZO1) states:

“Before implementing and executing a programme, the *zakat* committee would consider if it would be successful. If land is given to the poor without any supervision, there would be high a risk of failure because of that failure factor the *zakat* committee would not invest in lands for the poor.” (Translated)

(ZO1)

7.4.4.2 No support by elite committee members

This sub-theme is one of the main phenomena causing this assistance to be stopped. The elite members of the *zakat* committee disagree with the approach. Respondent Former-CM1 states that he had proposed that the annual financial recipients to be given work through the acquisitions of lands when he was part of the *zakat* committee:

“I had asked the *zakat* committee, until when do we have to provide monetary *zakat* assistance to the poor. Ten thousand in cash per year is not enough. Therefore, I propose that we eradicate the mindset and characteristics of the poor in them. With the current *zakat* funds we buy estates, we buy paddy fields. The poor who are good in paddy plantation, we give them the paddy fields. We get money from *zakat* and they (the poor) get the work same goes with the poor who are good in palm oil plantation, we buy a palm oil estate and give them work in that estate and we build homes for them. The poor who are good in rubber plantation, we buy them rubber trees but there is no action until now (*mufti*).” (Translated)

(Former-CM1)

He also proposed for a small medium industry (SMI) economic project to increase the income of AMA recipients. However, that proposal was shot down by the *zakat* committee, especially those with high positions in the community:

“I proposed to them to implement the SMI programmes to help the poor. I gave that idea because when I was in Egypt, they (*zakat* committee of Egypt) implemented the SMI to help the poor, that was in the 70s if I am not mistaken. At that time, I was the *kadi* for the district of Yan and was then appointed to the KDoZ but they (*zakat* committee) are stubborn. I am always kicked around when serving in the *zakat* committee.” (Translated)

(Former-CM1)

Respondents CM3 states that his opinion is not entertained by the committee even though he has a lot of experience in assisting *zakat* managements in Kuala Lumpur. There are inexperienced and unskilled people in the *zakat* committee. Even though some of the members are experienced in teaching about Islam, they are not well versed in the *zakat* law:

“I have experience in *zakat* management in Federal Territory Islamic Religious Affairs (JAWI), most of my ideas were taken in by JAWI, I am not just bluffing because my PhD is from Al-Azhar, but these people just do not have the skills but also do not want to accept other people’s suggestions.” (Translated)

(CM3)

Respondent (ZO1) who is at the executive officer level also states that their suggestions on economic programmes were rejected without the chance to further explain their opinions. He further states that he can accept the rejection only if any constructive

comments are attached. However, the committee is more interested in rejecting proposals without giving any comments. Furthermore, the committee members are among the well-known religious people in Kedah aged between 70 to 80-years-old.

When asked why their ideas were difficult to be accepted by the elites, two phenomena to this situation were offered. Respondents Former-CM1 and ZO1 state that, this is due to the fact they also have other important commitments. Most of the elite members of the *zakat* committee are also serving in the Kedah Civil Services (KCS) that have good relations with the royal institution. They hold key positions in the state administration such as Secretary to the state government and as district officers. They also serve on a part-time basis in the KDoZ thus their focus is not on the *zakat* administration. This explains why these elite members prefer the SHS programme as this assistance does not require frequent meetings and discussions. According to ZO1, the implementation of economic programme requires high commitment from the committee. They should go through the documents to endorse, especially endorsement involving bigger amounts of *zakat* money. On the other hand, based on the SHS approach they do not have to attend meetings regularly due to the amount of approval of the *zakat* money which is little less than M\$ 6000:

“They just do not want to do complicated work. They are busy with their own works, so they lack of interest. When they see the documents, they hold meeting regularly to give financial approval because it might involve the *zakat* funds. But in the SHS approach, they do not need to hold meeting regularly. Because the secretary can approve assistance for less than M\$ 6000. In the last few years the meetings have been only conducted 2-3 times a year.” (Translated)

(ZO1)

7.4.4.3 Senior committee members

Respondents ZO1 states that, elderly *zakat* committee members (most of them over 70-years-old) are not able to commit themselves fully in the KDoZ administration; therefore this approach cannot be implemented. The respondent relates the phenomena of elderly members of the *zakat* committee who disagreed with the approach of buying lands to provide jobs for the AMA recipients as influenced by the difficulties in studying paperwork and research: “*Those committee members; 70 years-old and above, do not agree because they are not interested in reading and analyzing the paperwork.*”

According to ZO1, these elderly members are those with religious background. They do not give much opinions during meetings; he states that when an economic project is presented in meetings, these elderly clerics do not say a word about it: *“When I was presenting to the committee about an economic project, they (clerics over 70-years-of age) only kept quiet and no opinion was given.”*

In this regard, respondents Former-CM1 and ZO1 state that though the KDoZ have many committees, but there is no significant contribution in *zakat* distribution system: *“I do not know what they (committee members) are doing. I just can not see any good economic project implemented.”*

Meanwhile ZO1 believes that the number of committees is a non-factor for the development of *zakat* institutions. He makes a comparison with the reference that the Selangor state has a smaller number of committees compared to Kedah. However, the collection management and distribution of *Zakat* is good: *“With regard to Selangor, the committee member is smaller than Kedah’s, but the collection and its distribution of zakat is very good.”*

7.4.4.4 Chairman

The respondents CM3, ZO1 and ZO2 describe the capability of the KDoZ chairman in managing the *zakat*. The *zakat* manager is not one of the experts in managing *zakat* property, but that he is just a state government officer from the KCS. He also did not work full time in KDoZ administration: *“The chairman of the KDoZ is a senior state government among the KCS, he does not work full time, he only comes a few times a year to hold meetings.”* Another respondent (ZO2) says: *“He (chairman) is not an expert on zakat. He is just a senior state officer. He is appointed because he is trusted by the Sultan.”*

According to respondent ZO1, the organisation’s success depends on the capability of *zakat manager*. He refers to Penang *Zakat* Centre which has diversified its economic activities though its *zakat*’s collection is smaller than the KDoZ’s. This is because the manager is an expert in *zakat* management and has academic qualifications in economics. He is also innovative and is enthusiastic in developing the *zakat* centre:

“I know that the KDoZ can vary the economy projects for the poor group because I have already visited the *Baitulmal* of Penang and their collection is less than us (the KDoZ) but they manage to do it so what is our problem. They (the Penang *Zakat* Centre) can do it because the manager has academic qualifications in Islamic economy and he is also an innovative person.”(Translated)

(ZO1)

7.4.4.5 Head of *shari’ah* committee

Respondents Former CM1, CM3 and ZO1 link this approach of how the SHS programme cannot be implemented because of the Head of *Shari’ah* Committee.

Respondent (Former-CM1) describes the head of the *shari’ah* committee as follows;

“He is not well versed in zakat even though he is in the field but does not know a lot about zakat.”

CM3 states that the failure factor is the main reason why the head of the *Shari’ah* Committee has disagreed to implement economic projects including those of land acquisition:

“If you (head of the *Shari’ah* Committee) quotes the problem of failure as the reason for not doing it, it is the weakest concept in being Muslim. If we put failure in front of us, how are we going to go forward? We should try until we succeed.”(Translated)

(CM3)

Respondent CM1 comments that the approach has not been approved by the head of the *Shari’ah* Committee because of the head’s background and credentials. Other committee members still listen to his views although he is not an expert on *zakat*: *“The head of the Shari’ah Committee in the KDoZ is not well versed in Islamic laws and management, including zakat, his qualification is in ‘lughah’(arabic language) but people still listen to what he says.”*

Respondent ZO1 elaborated: *“In the committee’s meeting, the views of the head of the shari’ah committee are the most influential. His views are accepted by most of the committee members.”*

ZO1 refers to his presentation to the *zakat* committee in a committee meeting where he proposed economic programmes for the poor. The head of the *Shari’ah* Committee did not support his presentation and thus other committee members did not support his presentation too:

“I proposed the sewing project for the poor. They will sew school apparels and distribute them to the schools through the school’s apparel assistance programme. But he (Head of the Shari’ah Committee) said it is not necessary because KEMAS (the Community Development Department) has already done that. Other committee members also did not support me.” (Translated)

(ZO1)

7.5 Perception on a lack of cooperation with other rural agencies

Questions were then asked to respondents at the *zakat* committee level, executive *zakat* officer and *Zakat* District officer whether there exists cooperation with rural agencies. All respondents state that there is no official cooperation with rural agencies. A total of 5 out of 15 respondents responded on the phenomenon which has contributed to no such cooperation. While the rest could not give any feedback regarding the issue, all the respondents which do not respond are the District *Zakat* Officers. The reason given is that the question can only be answered by the committee or the superiors in the *zakat* department.

The sub-themes derived from respondents who gave the explanations are; 1) politics 2) financial assistance 3) committee. Table 7.6 shows the responds according to respondents.

Table 7.8: Themes according to the respondents

	CM1	CM2	CM3	Former CM1	ZO1	ZO2	DZO1	DZO2	DZO3	DZO4	DZO5
Theme 1:Politics	Y	-	-	-	-	-	-	-	-	-	-
Theme 2:Financial Assistance	Y	-	-	-	-	Y	-	-	-	-	-
Theme 3:Committee	-	Y	Y	Y	Y	Y	-	-	-	-	-

*(Y) = Yes, (-) = No

(Source: research interview, 2009)

7.5.1Politics

The theme of politics has contributed to the absence of cooperation between the KDoZ and rural development agencies. Respondent (CM1) states that one of the reasons why there are no cooperations with the other rural agencies is because they want to avoid the perception that the KDoZ supports the ruling party (National Front). CM1 states that

rural agencies such as the District Office handling the PPRT programme (Housing Programme for the Poor) are influenced by the ruling political party. Those who need assistance are required to obtain recommendations from the JKKK committee (village development and safety committee), which is the ruling party's representative at village level. Accordingly, if there is cooperation with the District Office which handles the programme, it might raise the perception that the KDoZ is pro-government. He adds that it is not limited only to the district office but also all rural development agencies. This is because people consider that the political parties influence the rural agencies under the government:

“The community has a negative perception towards the government agencies because the assistance will only be given to the BN (National Front) supporters. For example, the PPRT program organized by District Office, the assistance will only be given to the BN's supporters. Those who support BN will get the assistance through the program. The community already has the perception that all the government agencies are the BN's supporters. We do not want the perception that the KDoZ is one of the ruling party's agency. Therefore, I always highlight in my talk that the KDoZ is administered directly by the Sultan, not the ruling party.”(Translated)

(CM1)

The respondent (CM1) asserts that if there is the perception that the KDoZ has a relationship with government agencies, the implication will be reflected on the collection of the *zakat*. Some of the *zakat* payers will not be happy and will not pay *zakat* to KDoZ: “*If there is a perception that the KDoZ cooperates with any government agencies, they (zakat payers) will not pay zakat to the KDoZ*”. The respondent also highlights that among the approaches to dispute the perception on the KDoZ is through avoiding using leaders at grassroot levels such as the JKKK. Therefore, the KDoZ appoints the *imam* as the KDoZ representative at the grassroot level as this step is more trusted by the community. The *imam* will help officers to identify the poor who should be given assistance:

“We appoint the *imam* to help the *zakat*'s district officer to identify the poor who should be given the assistance. The community trusts the *imam* as a good person. Therefore, he will act fairly in determining the qualified person (the poor) without considering political views.” (Translated)

(CM1)

Another approach is not to invite politicians for the official ceremony of handing the *zakat*. The Sultan himself or *zakat* officials will officiate the handling of the AMA assistance:

“During the official *zakat* handing ceremony, we do not ask politicians to distribute it. Only Sultan or *Zakat*’s officer can distribute it. If the politicians hand it (*zakat*), there will be a negative perception towards the KDoZ.”(Translated)

(CM1)

A question arises: Why does the *imam* not play a role in looking the potential SHS recipients? The administration of the KDoZ feels that the information can be spread out when they visit villagers; however, this type of approach is ineffective due to time constraint in which the *imam* has fewer opportunities in finding the poor to convey the information. The problem had arisen due to the fact that some of the *imam* do not have enough time to carry out administrative duties such as looking for potential recipients or promoting the SHS programme. This is because some of them work in the government and private sector, so they are bind to their official responsibilities. Meanwhile, for those who are self-employed such as paddy farmers, rubber tappers and village labourers, they are also busy with their daily tasks (ZO1, ZO2, DZO1, DZO2, DZO3, DZO4 and DZO5):

“If we want to depend on the *imam* to make the promotion on behalf of us (the KDoZ) it is quite difficult, as he needs to do his works (daily tasks) to earn his living.”(Translated)

(DZO1)

“He the (*imam*) has other tasks to be done and we cannot put blame on him if there are not many people who are aware about the SHS programme which caused primarily by a lack of promotional efforts.”(Translated)

(DZO3)

The respondent DZO2 at the district level specify that time constraint is not the one and only factor that contributes to a lack of promotion but also due to the wrong appointment of *imam* to carry out the KDoZ works. He also adds that asking the *imam* to carry out administrative duties as they would get *zakat* fund once a year through the *Ta’mir* (teaching) Religious Teacher fund is far from the truth. So, he suggests that, in order to promote the SHS programme to villagers, an honorarium should also be provided to the *imam* as they also spent their time to promote the SHS programme. In addition, they also have other works to be completed. The above sub-theme shows that

promoting the SHS programme by the *imam* is less effective due to the *imam*'s busy schedules and other commitments, resulting in a lack of awareness on the SHS programme among potential recipients.

7.5.2 Financial Assistance

This theme is also highlighted by CM1. The respondent states that the SHS programme that has been practised does not require collaboration because SHS programme is given to those who have started their own businesses. As a result, they are not required to attend trainings or courses. He then describes that the cooperation with the rural agencies might be needed when it involves the poor who are rarely keen on starting a business. This kind of programme requires large funds because it involves a large scale economic programme:

“The SHS programme is given to those who have already started economic activities they are already advanced in their field. So, there is no need for trainings or courses. But if the project is on a large scale, training and courses might be needed; therefore, the project will require collaboration with them (rural agencies).”(Translated)

(CM1)

When asked why there is no cooperation with rural agencies to produce entrepreneurs amongst the AMA recipients, respondent CM1 states that other rural agencies also often fail in their economic programmes. In this regard, he questions whether the agency should work with these agencies: *“Other agencies are also less successful in the economic programme, so how to make the collaboration?”*

CM1 refers to the PPRT programme where the poor are given a house. The houses are given with the hope they will have comfortable and secured places to live in so that they can focus on their work. However, their poverty still cannot be rid of: *“The government are also unable to help the poor. The Government gives houses through the PPRT programme so they will not worry about their safety, so that they can work hard. But instead, the poor keep asking for more.”*

CM1 further highlights a current situation due to a lack of *zakat* fund, where the priority is more on financial assistance rather than economic programme: *“Based on the current ability, financial assistance to the poor is adequate”*. The other reason is that, through the financial assistance approach, more poor people will receive the aid. This is

because the total amount given to a recipient can be shared with few of the SHS recipients:

“One more thing is that our money is not that much. Few people can share the money. If we want to buy equipment priced about M\$ 3000-4000, only one person can get it. But we give money, maybe 7 to 8 people can obtain with the same amount... so that they will not complain every year that are also poor, but they do not get any financial assistance.”
(Translated)

(ZO2)

Respondent CM1 further explains that the cooperation between the agencies is not required to create a database for avoiding the repeat recipients. He stress that the KDoZ’s approach is to offer assistance especially in the financial programme. Thus, recipients who have received assistance from several agencies but also receive *zakat* aid are not a major problem for the distribution of *zakat*: “*Surely we know that they receive other assistance from other agencies, but we just do not really mind about it. What important is that they are poor and are in need.*”

CM1 then stresses that, the receipts of the *zakat* financial assistance will be increased from time to time as well as the amount of assistance if the *zakat* collection increased:

“So, when we already know how much money we have, and we are capable, we will increase the amount of financial assistance given but if we have some more, we will send notification to district office to help find the recipients.”(Translated)

(CM1)

7.5.3 Committee

This theme is highlighted by CM2, Former CM1, ZO1 and ZO2. All of them also highlight that the KDoZ needs to have the cooperation with the rural agencies. All respondents highlight the need for cooperation, as KDoZ does not have the expertise as well as adequate facilities. Through the collaboration, the KDoZ will obtain input from officers from rural agencies involved. Furthermore, the KDoZ can send the poor to attend skills courses provided by the agency: “*They do not have the expertise. That is why collaboration with other agencies is important, such as sending the poor to attend skills courses.*” (Former CM1).

Respondent ZO1 further highlights that the collaboration is not only in terms of economic activities but comprises all aspects including administration. He describes how

all aid agencies should share information in order to facilitate the distribution of aid so that the aid recipients will be not be repeated: “*Not only on economic projects but all aspects...for example, the problem regarding repetitive recipients is due to the absence of collaboration in sharing the database.*”

When asked on the phenomenon that has caused the KDoZ not to cooperate, all explanations given by the respondents highlight that some of the committee are not interested in the participation of the poor in economic projects. There are three sub-themes that are; 1) Perspective towards the poor; 2) Lack of support from professionals committee members; 3) No benefits/importance

7.5.3.1 Negative perspective toward the poor

Respondent former-CM1 states that most of the committee are not interested in collaborating with the rural agencies since a long time ago. He referred to the proposal of small medium industry (SMI) program that has been rejected by the committee. He admits that if the KDoZ is not capable, they could collaborate with other rural agencies. However, until now, the small medium industry programme is not being implemented because a majority of the committee are not interested in implementing it:

“I have already proposed to implement the SMI programme to help the poor in the ‘70s but some of the committee disagreed. If we do not have the expertise, we need collaboration with other agencies. The main reason they do not want to implement it is because they do not have the interest.”(Translated)

(Former-CM1)

Respondents ZO1 and ZO2 describe that the committee is not interested to collaborate if it involves direct participation of the poor in the implemented project. If the implemented project or programme does not involve the poor, only then will the committee be willing to collaborate. Respondent ZO1 states that the reason is based on the committee’s consultation with a few agencies regarding on the rental of office spaces in headquarter office (*Menara Zakat*). According to him, the committee can conduct consultation with other agencies, such as the Department of Inland Revenue and Department of Environment to rent their office spaces. On the other hand, if it involves the poor, the committee are not interested in the collaboration:

“Surely the committee can have consultations if they want to. For example, there are a few consultations with the Department of Inland Revenue and the Department of Environment regarding on the rental of office spaces in Menara *Zakat* but for economic assistance they just did not do it because they are not interested.”(Translated)

(ZO1)

Respondent ZO2 describes how the committee rejected the proposal of a sewing project due to a lack of workforce. He then describes that the committee supposedly recommended to them to collaborate with the Community Development Department (KEMAS). But this thing just did not happen because the committee is not interested:

“I know my proposal with ZO1 of sewing project has been rejected due to the lack of workforce, but supposedly they should recommend to us to have the collaboration with the Department of Community Development. But what happened actually, they rejected the proposal with the reason that the project has been implemented by the Department of Community Development. If they are interested, surely they will allow us to collaborate with the Department of Community Development.”(Translated)

(ZO2)

The above finding shows that the reason for a lack of collaboration with other rural agencies is because of the implemented economic projects involved the poor. Thereby, majority of the committee are not interested to collaborate with the rural agencies:

“They are too carried away with their working style in *zakat* matters while the economic administration of the *zakat* is different with the district office’sin *zakat*, the poor people can be given assistance until they succeed.”(Translated)

(ZO2)

Verbatim analysis above shows that the failures of economic projects undertaken by the agency led by professionals have caused them not to support the proposed economic programme.

7.5.3.2 Lack of support from professionals committee members

Respondents ZO1 and ZO2 state that committee members among the professionals are less supportive about implementing the economic programmes. This is influenced by the failure of most economic projects managed by their agencies or other agencies. Therefore, in their opinion, the KDoZ will face the same failure just like the other economic projects:

“They (professional committee members) do not want to have cooperation and collaboration with their agencies because their own economic projects are met with failure too.”(Translated)

(ZO1)

According to ZO2, these professional committee members should not carry on the distribution of assistance practices of their agencies into the KDoZ as in *zakat* administration, the *zakat* must be given to the poor until the poor achieves a better life:

“In my opinion, they (professional committee members) feel it is a big loss to the *zakat* fund when a economic programme fails because they are affected from the bad experience they have in dealing with the poor. While the economic administration of *zakat* is different with the district office, the poor people can be given assistance until they succeed.”

(Translated)

(ZO2)

Verbatim analysis above shows that the failure of economic projects undertaken by the agencies led by professionals has caused them not to support the proposed economic programmes.

7.6 Conclusion

The discussions in this chapter began with the theme that attempt to identify the background of the respondents (Section 7.1) and their views on a lack of awareness among the poor on the SHS programme (Section 7.2). The poor do not have enough information about the SHS programme due to the shortage of manpower to promote SHS programme (section 7.2.1) Not only that, a lack of promotion through the project approach (Section 7.2.3) and the intention to avoid beggars (Section 7.2.4) are seen as the reason why the SHS programme is still not widely known among the poor.

The analysis identified several features on the perception of the KDoZ's failure to distribute capital assistance in the form of financial and material support to the AMA recipients (Section 7.3). The discussions reveal that the reason to this situation is due to the small amount of revenue (Section 7.3.) as the SHS programme is seen helping as poor Muslims in economic activities viewed as unfavourable. At the same time, the *zakat* collections at the local level are rather small and this is getting worst as the staff is a very small in numbers. The cause of failure (Section 7.3.2) of the SHS recipients,

which in the end has caused further losses to the *zakat* fund, is also seen as one of the effects of the theme discussed. In addition, lack of staff has stopped the distribution of the SHS programme to the AMA recipients under the theme of avoiding spending over *asnaf Amil* (Section 7.3.3) and the influence of the committee themselves (Section 7.3.4).

Subsequently, this chapter discusses the perceptions on why investments benefiting the poor have received little attention (Section 7.4). From the analysis, it is believed that difficulties in dealing with the poor (Section 7.4.1), assured rental revenue of commercial properties (section 7.4.2), the role of the government (section 7.3.3) and the internal factors in the *zakat* committee (section 7.4.4) have lead to this situation. Lastly, the discussion focused on the phenomenon of the absence of coordination and cooperation between the KDoZ and other rural agencies in executing economic programmes (Section 7.5). Political influences is a very sensitive issue in dealing with *zakat* matter as the public see this as a negative way of conduct (section 7.5.1). Hence, priority lies in cooperating with others involving monetary and financial assistance (Section 7.5.2). However, there is less cooperation between them as the rural agencies also face the same problem. Also, the sharing of information between these agencies can help to improve the management in the KDoZ but this has never happened. Nevertheless, the *zakat* committee themselves are not supportive and do not have confidence in the poor (Section 7.5).

Therefore, it is concluded that the discussions in this chapter have given an insight and understanding of the perspective towards *zakat* management of the SHS programme in Kedah. The findings from this chapter, together with the findings from Chapter 6, will be discussed in the following chapter for further discussion.

Chapter Eight

Discussion

8.0 Introduction

This chapter discusses the findings of this study. Overall, this study produced several findings in relation to the research questions. Since the findings appear to be related to more than one research question, the key findings will be discussed at the beginning of this chapter. The discussion of findings in relation to each research question will be discussed in Chapter Nine. This chapter links and reflects the empirical findings as presented in Chapters Six and Seven, with the literature review discussed in Chapters 2, 3 and 4. The order of discussion is divided into *three* sections. The first section discusses the key findings. The second section discusses the advantages of KDoZ in the distribution of *zakat* assistance and followed by recommendations in sub-section three.

8.1 Discussion of key findings

8.1.1 Finding 1: Capitalist thinking amongst the KDoZ committee members

One of the themes highlighted by respondents is failure of the capable poor to continue economic activity. This theme is highlighted due to two factors; most of recipients of capital assistance failed to continue their economic project and failed in making payments in their renting of *zakat*-funded real estate. In the opinion of respondents, the failure of recipients of *zakat* assistance to continue their economic project and failed in making payments in their renting of *zakat*-funded real estate will result in losses incurred to the *zakat* fund (Section 7.2.4, 7.3.2, 7.4.1 and 7.5.3.1). The perception of failure amongst a majority of the KDoZ committee members has contributed to the followings:

- 1) Promotion of the SHS programme has not been conducted in a large scale. Additionally, the Annual Report *Zakat* and the *zakat* distribution brochure are distributed to the *zakat* payers instead of the receivers. Consequently,

awareness on the SHS programme is very low which is the 10% level of awareness.

- 2) There is no SHS programme for the capable working poor: The failure factor also results in a lack of distribution of the SHS programme to the recipients of AMA, who are capable of working. In distributing the AMA assistance, the KDoZ committee determines the total number of recipients in each district. In addition, the *zakat* district officers find eligible the recipients. Referring to the SHS programme, the committee is not interested determines the total number of recipients in each district because it involves large amounts of money. The SHS programme involves the distribution of M\$ 2000 to 3000 per applicant. If the applicant fails to continue their economic project, the *zakat* fund will experience losses. Accordingly, the committee has implemented a policy which states that the SHS programme should only be given to those who have already started their economic activities to reduce risks of losses (Section 7.3.1). Thus, the AMA recipients who have not started their economic activity is not qualified for the SHS programme. This is not unlike the assistance given by contemporary agencies, government institutions and NGOs, in which one of the terms to qualify for the programme is to already be involved in economic activities (Section 2.2.2).
- 3) Investment on land properties does not create work opportunities for the capable poor. The analysis found that, prior to 1990 there have been lands purchased by the KDoZ to be leased out to the poor. However, due to the failure of the tenants to pay the rent, the committee turned their interests towards property that does not encourage direct participation of the poor (Section 7.4.1). Currently, the committee has invested on property with high commercial values such as offices and commercial space. These properties are rented out to the government and private agencies. Subsequently, there are no problems for the committee with regards to the collection of rent.
- 4) No cooperation: Due to the fear of failure, there has not been any obligation for the KDoZ to cooperate with other agencies. Cooperation with other

agencies is needed in order to embark on knowledge-sharing in terms of technical skills, training and education. However, in the case of the KDoZ, cooperation is deemed as unnecessary because of the lack of economic assistance projects for the poor. The respondents at the committee level have also explained that agencies do not need to work together to solve the problems of recurring recipients of financial assistance. This is due to the understanding that the aim of the *zakat* assistance is to provide financial aid to the recipients. This finding shows that the phenomenon of non-existent cooperation between agencies is caused by the *zakat* distribution policy, of which capital assistance and economic projects for the poor are discouraged. In addition, the problem of recurring recipients is not one of the main concerns of the KDoZ and thus, explains the reasons behind the lack of cooperation between the KDoZ and other agencies as highlighted by P. Ibrahim (2008).

- 5) The findings developed through the study show that the poor show high levels of interest (80%) in the *zakat* capital assistance programme. There are three main factors that motivated the respondents to apply for SHS programme which are existing *zakat* assistance (mean = 4.20), amount of existing income (mean = 3.90) and the factor of existing job (mean = 3.64). However, they are not able to obtain the assistance offered. This can be explained through their lack of social capital. In the study, it is found that the KDoZ has less emphasised on promotion for the capital assistance that they offer. The poor, who have limited social capital i.e. access to the institutions and their information, will remain ignorant about the programmes that were initially carried out to assist them. This is a classic example of how institutions, be it government or non-governmental, reduce the poor's social capital by closing communication channels between themselves and the poor communities.

The failure phenomenon has also highly influenced the decisions of the contemporary agencies to carry out or fund economic activities. This is based on the

capitalist approach of these contemporary agencies in capital assistance distribution, where the goal of economic achievement is the main priority (Woost, 1997; Hulme & Moseley, 1997).

In Section 4.4 it has been found that all the policies of *zakat* collection and distribution is put into action after receiving approval from the committee. This implies that the 'fear of failure' factor has a high influence among a majority of the committee, comprising of Islamic scholars and professionals, in making their decisions. It has been claimed that Islamic scholars who studied fiqh and Arabic are more likely to help the poor through financial assistance instead of economic programmes (Sadeq, 1995; Wahab et al., 2008). This factor is supported by respondent CM1 in which he affirms the belief among Islamic scholars that the best way to help poor people is through direct financial aid instead of economic projects. As highlighted by a respondent, "*The head of the Shari'ah Committee in the KDoZ is not well versed in Islamic laws and management, including zakat, his qualification is in 'lughah' (arabic language) but people still listen to what he says.*" (Section 7.4.5)

However, this study found that the fear of failure factor has more influence on Islamic scholars compared to education which makes them less interested in advancing the economy of the poor. This can be seen through the Islamic scholars' willingness to allow modern management of *zakat* through real estate investment only if the monetary returns are high rather than focusing on the wellbeing of the poor. Commercial buildings and other forms of property are rented out to government agencies because of their ability to pay the rent. The property is not rented out to the poor because there is a high risk of them not being able to pay the rent regularly. The Islamic scholars in the committee agree to the purchase of property for investment along with close ties with other government agencies (Section 7.4.2 and 7.4.2).

Other than the Islamic scholars, the study also found that professionals acting as committee members tend to adopt a contemporary approach in managing the *zakat* fund. The professionals comprised members of the technical department, District Officers and Land Office. They have not agreed to implement the economic assistance programmes for the poor due to the experience of other agencies and departments in carrying out the

same approach, which have been less successful (Section 7.4.3.2). As highlighted by ZO1; “*They (professional committee members) do not want to have cooperation and collaboration with their agencies because their own economic projects are met with failure too*” (Section 7.5.3.2).

These findings indicate that the involvement of professionals from rural development agencies as policy makers in the KDoZ administration have not helped in developing the economy for the poor. This finding is contrary to the views provided by Rahman (2005); Imtiaz (2000) and Noor et al. (2005), who have claimed that *zakat* management in the modern era requires the cooperation of scholars and professionals to change the traditional way of monthly or annual financial support to a financial assistance programme which can help alleviate poverty as a whole.

8.1.2 Finding 2: Distribution based on local collection: disadvantage to the poor living on the rural agricultural sector

The findings show that the current distribution of *zakat* in the form of the SHS programme and the implementation of an economic programme based on local *zakat* collection have not benefitted the poor living in the rural agriculture areas who have less opportunities in receiving the *zakat*. This can be seen to the findings which indicate; 1) a lack of awareness on the SHS programme in districts with low *zakat* collection; 2) less effort to find potential recipients for the SHS programme in districts or areas with low *zakat* collection.

The *zakat* collection by KDoZ is recorded according to district. The districts with the highest collections of *zakat* are Kota Setar and Kuala Muda. The high collections in both districts is due to the high number of Muslims involved in advanced economic sectors such as business, industrial and services. The Muslims involved in these sectors pay property *zakat* to the respective KDoZ branch offices. On the other hand, Muslims in other districts are involved in the rural agriculture sector such as paddy cultivation, farming and rubber tapping. Muslims involved in paddy cultivation are required to pay *zakat* of as much as 5% of their production, but most of them cannot afford to pay the *zakat* due to their low income (Section 4.5.1). In terms of rubber tappers, a majority of

them also live in poverty. However, rubber tappers who are well off do not pay *zakat* on their income from their rubber sales. This is because the payment of *zakat* on rubber sales has not been practiced traditionally (Section 4.5.5). The level of collection in the district has influenced the KDoZ in the promotion of the SHS programme. The promotion of the SHS programme is more concentrated on the Kota Setar and Kuala Muda districts (Table 6.14). The result of the chi-square test also shows a significant relationship between the rate of district *zakat* collections and awareness on the SHS programme with a significant value of 0.00. This means that respondents who live in areas of higher *zakat* collections are more aware of the SHS programme compared to those in areas with low *zakat* collections.

The phenomenon of the SHS programme not given directly to the recipients of AMA with high potential in economic activities also occurs due to the rate of the local *zakat* collection. The SHS programme is not given to the recipients of AMA in areas with low *zakat* collection due to the assumption that the poor in the area are already fortunate enough to be given the direct financial assistance. The amount of direct financial assistance pumped into the district is higher compared to the amount collected. As highlighted by ZO1:

“The distribution of *zakat* depends on the performance of the *zakat* collection from each district. If the collection is rather low, then how can we want to distribute the capital assistance the money has been spent for financial assistance. In addition, we have to acquire *zakat* from those districts with high *zakat* collection (Alor Setar and Kuala Muda) that is a bonus for the poor in the low *zakat* collection district.” (Translated)

(CM1)

This approach is not only evident in the poor districts but also in areas with high *zakat* collections. The KDoZ officers are reluctant to distribute the SHS programme to those who are originally from the small collection areas but reside in district with higher rates of *zakat* collection even though they have the potential for success (Section 7.3.1.2). However, in areas with high *zakat* collections especially in the outskirts of Alor Setar city, *zakat* officers will find potential candidates for the SHS programme amongst the poor residing within the area. This is due to the fact that many *zakat* payers live in Alor Setar.

“In the case of Alor Setar, we are required to find people who are in businesses to be given capital assistance; we shall give as this is the area with the highest *zakat* collection. Thus

to tone down the complaints by the *zakat* payers, we are obliged to search for candidates to receive this assistance.” (Translated)

(CM1)

The above discussion shows that the KDoZ gives priority to the promotion and distribution of the SHS programme based on local *zakat* collection. This has caused the exclusion of the poor involved in the rural agriculture. This finding is parallel with a study by Muhammad (1993) which stated that in areas where the majority of the residents are poor, it is not practical to use *zakat* distribution approach based on the local collection. This approach is only practical to be implemented in areas where most of the residents are living above the poverty line.

8.1.3 Finding 3: Avoid query from the Sultan: Consideration by high ranking committee members

A new finding in the study of *zakat* distribution suggests that high ranking KDoZ committee members are not interested in economic programmes involving the poor due to the concern that it will result in complaints from the public especially when the projects encounter failure. High ranking committee members are close to and are trusted by the Sultan (section 4.4.1 and 4.4.2). Therefore, when complaints are made to the KDoZ, the committee members have to report to the Sultan regarding the matter. Thus, they reduce the risks in losses by limiting the distribution of the economic programme. When there are no issues in *zakat* management, they will continue receiving from the Sultan to serve as a committee member (section 7.3.4.2)

High ranking committee members can influence the decision in a committee. This is based on the background of the members and the position that they hold in the community as a whole. They are mainly officers of the state government under the KCS. The KCS officers are those who have good relationship with the Sultan. In addition, some of the committee members are high-ranking officials of technical departments. Other than that, there are also members who have gained the trust of the Sultan such as the head of Shari’ah committee and the royalty. The head of Shari’ah committee is the most influential member amongst the elite members of the committee.

Unfortunately, the head of Shari'ah committee has not expressed much interest in the implementation of the new economic plan for the poor. This can be seen through the statement of the former CM1 who was a member of the *zakat* committee.

“I had asked the *zakat* committee, until when do we have to provide monetary *zakat* assistance to the poor. Ten thousand in cash per year is not enough. Therefore, I propose that we eradicate the mindset and characteristics of the poor in them. With the current *zakat* funds we buy estates, we buy paddy fields. The poor who are good in paddy plantation, we give them the paddy fields. We get money from *zakat* and they (the poor) get the work same goes with the poor who are good in palm oil plantation, we buy a palm oil estate and give them work in that estate and we build homes for them. The poor who are good in rubber plantation, we buy them rubber trees but there is no action until now (*mufti*).” (Translated)

(Former-CM1)

His views are able to influence other state committee members among the *ulama* and professionals. The phenomenon where other committee members agree with the head of Shari'ah can be further illustrated with the statements by CM2, former CM1 and ZO1 (Section 8.5.3). According to ZO1;

“I proposed the sewing project for the poor. They will sew school apparels and distribute them to the schools through the school's apparel assistance programme. But he (Head of the Shari'ah Committee) said it is not necessary because KEMAS (the Community Development Department) has already done that. Other committee members also did not support me.” (Translated)

Verbatim analysis found that the elite committee members are reluctant to accept suggestions pertaining to economic enhancement programmes which are given by the other committee members and the KDoZ officers (Section 7.4.4.3). This phenomenon is due to the failure of the economic programmes implemented. They are worried that the failures would result in complaints from the general public, which will necessitate them to explain the situation to the Sultan.

8.1.4: Finding 4: Large number of ccommitteem: Centralisation of power of the committee

This study has found that the large number of committee members has inhibited efforts made in distributing larger amounts of economic assistance. As seen in the expenditure of the *zakat* fund of higher than M\$ 6000 must receive approval in the *zakat* committee meeting. However, *zakat* committee meetings are held 2 to 3 times a year This is due to the difficulties of assembling the large number committee members for meeting.

Job commitments are the main challenge in assembling the committee members. Most of the committees are heads of state departments and federal government employees. For the KDoZ, the Chairman of the *Zakat* committee is the Secretary of the State Government. Whereas some other members are heads from technical departments such as the District Office, the Department of Works (JKR) and MADA (Section 7.4.4.3). Besides that, some of the committee members (Section 7.3.4.3) have expressed concern about some scholars is who are aged 70-year-old and over. They claim that these scholars were appointed as committee members only because of their high status in society and to meet the quota.

The implications of the difficulties in organising meetings result in the preference of the KDoZ to focus on economic assistance of less than M\$ 6000. Documented studies have found that the average amount of assistance received through the SHS programme is approximately M\$ 3000. This happens because the amount does not need to be approved by the *zakat* committee meeting. On the contrary, the assistance can be directly approved by the *zakat* committee secretary. Respondent ZO1 highlights the association between the lack of committee meetings and the implementation of the SHS programme as follows:

“They just do not want to do complicated work. They are busy with their own works, so they lack of interest. When they see the documents, they hold meeting regularly to give financial approval because it might involve the *zakat* funds. But in the SHS approach, they do not need to hold meeting regularly. Because the secretary can approve assistance for less than M\$ 6000. In the last few years the meetings have been only conducted 2-3 times a year.” (Translated)

(ZO1)

The above discussion shows that the number of committee members presents difficulties in assembling them for meetings. Consequently, economic assistance programmes would be difficult to carry out with a limit of M\$ 6000 per application. This finding is in line with a study carried out by JAKIM (2002) which found that the large number of committee members and centralisation of power for *zakat* agencies in Malaysia has caused the inefficient distribution of *zakat* distribution programmes in Peninsular Malaysia. JAKIM (2002) states that the number of committee members must be revised or the entire system be revamped in order to facilitate the distribution of *zakat*.

8.1.5 Finding 5: Small amount of *zakat* funds for administrative purposes

The KDoZ, states that funds for the management of *zakat* depend entirely on the *asnaf amil*. The entire management of the KDoZ uses up to one eighth of the *zakat* collection each year. However, in other states, the management of *zakat* is executed through financial support from the state government (Nasir, 1999). The constraint on its budget has restricted the KDoZ in employing new staff. The lack of manpower has influenced, 1) efforts to promote the SHS programme; 2) the lack of diversity in economic programmes (Section 8.2.2).

87% of respondents have not been aware of the SHS programme. This is associated with a lack of staff. Lack of support staff have led to a lack of promotion for the SHS programme. It has been found that in the *zakat* distribution unit, there is only one staff operating the SHS programme. As a result, the promotion for the SHS programme is ineffective (section 7.2.2).

At the district level, the responsibilities of existing employees are more towards administration, such as distributing the *zakat* to the poor who are disabled or physically challenged as well as the typical routines in the administration office. The average number of *zakat* officers at the district level is about 3 people. However, an area with a small collection of *zakat* has only two *zakat* officers. These small numbers of officers affect the promotion of *zakat* assistance, including the SHS programme and its monitoring (Section 4.4)

Lack of staff has negative implication on the monitoring of existing economic programmes. Monitoring of the recipients of the SHS programme is very minimal (Section 7.3.2). The distribution unit is formed only for monitoring in general, such as providing training courses and general motivation. ZO2 states that the monitoring as conducted by the AIM cannot be implemented. According to him, more specific monitoring needs to be implemented in order for the SHS programme to succeed. The lack of monitoring of the most common cause of failure among SHS recipients are discussed in Section 7.2.2.

Factors of participants' failure combined with a lack of staff have resulted in the lack of the SHS distribution directly to the poor although they are capable of work. A respondent highlights the relationship between the staff and the lack of direct SHS distribution to the capable poor as follows: "*We are not able to distribute the zakat assistance due to our limited staff. The office would be in shambles if we go down to villages and rural areas, so we are caught in the middle of this situation.*" (CM1)

Similarly, the lack of staff has led to the lack of support from the committee members in terms of the newly introduced economic programmes. This can be seen through a statement by respondent ZO2; "*The problem of a lack of staff influences the implementation of new programmes. As we proposed to the committees for a new economic programme, they asked for a review due to a lack of staff to look over it.*"

Due to the lack of staff, the KDoZ committees put more emphasis on direct assistance. This can be seen through the approaches used in the assistance programmes provided for the poor in the *asnaf*. Based on assistance programmes in the *asnaf* for the poor in 2007, there were 17 programmes in this category. Out of the 17 programmes, nine programmes were direct assistance, while the rest are not direct assistance (Section 4.8). Direct assistance means assistance is given directly to the individuals or heads of poor families. Meanwhile non-direct aid is given to the poor families but not to the head of household for the benefit of poor children or their family members. One of the advantages of these types of assistance programmes is that the KDoZ is not required to carry out monitoring, which requires more staff. Consequently, committee members

prefer charity in the form of continuous relief assistance because no monitoring is required.

The above phenomenon reflects the lack of *zakat* funds for administrative purposes, resulting in the inability of the KDoZ to hire new employees. This leads to the ineffective implementation of the *zakat* economic assistance programmes. This finding is consistent with findings in studies by Ghazali (1989); Noor et al. (2004). According to them, factors such as insufficient staff and services have influenced the distribution of *zakat*. In the KDoZ, the source of funds for management depends heavily on the *zakat* collected. This amount is found to be inadequate. However, according to Nasir (1999) *zakat* institution (MAIN) funding by the state government is also still insufficient for the purpose of management.

8.2 The advantages of the KDoZ

8.2.1 Finding 1: No Collateral

According to Jaafar, (2004), *zakat* is an advantage compared to other financial assistance institutions as they do not enforce security requirements. The study by JAKIM (2002) shows that *zakat* institutions in Malaysia do not impose such requirements. The phenomenon is evident in the KDoZ, where committees have not placed conditions on any assistance given through the SHS programme. This approach is consistent with the concept of *zakat* in which eligible recipients do not need a guarantor or collateral to receive such assistance. On the other hand, financial assistance offered by banks requires a guarantor. In spite of that, loans can be requested from the Non-Government Organisations (NGOs), especially the Grameen Bank, which do not place requirements of collateral. However, the Grameen Bank requires the poor to find friends who can act as guarantor for the borrowers. Consequently, the applicants have no chance to receive assistance if they do not have any friends or if their friends are not convinced to assist them.

8.2.2 Finding 2: No repayment required

The concept of *zakat* is assistance given to the needy and the poor and it will not be repossessed if they fail to continue with the economic activities they have undertaken. In

contemporary funding programmes, payments are requested from the guarantors if the receivers could not afford to pay.

For the KDoZ, the management does not expect the recipients who fail in their attempts at economic activities to replace the assistance received. This can be seen from the statement of a respondent (ZO1): "*We help them with the self-help assistance, but they fail to succeed. We will not ask for replacement.* "

8.2.3 Finding 3: The KDoZ is free from political influence

Chapter 2 has discussed poverty alleviation programmes of the government which are influenced by political sentiments. The poor, who support the national party, can receive assistance more easily compared to the supporters of opposition parties such Pan-Malaysian Islamic Party (PAS). These sentiments are not evident in the KDoZ. Grant assistance from the KDoZ is not based on political affiliation. This is affected by the role of the *imam* and organisational factors.

For the means of assistance from the government such as the *Project Perumahan Rakyat Termiskin* (PPRT) for housing assistance, the JKKK is responsible in determining the poverty status of the applicant. As Chapter 7 discussed in Section 7.4.1, JKKK comprises of the ruling party supporters. Accordingly, opposition party supporters have difficulties in obtaining support from them. However, in the KDoZ, the applicant status is confirmed by the *imam*. The *imam* is less influenced by political sentiments. In addition, the applicant can also apply directly without having to obtain the support of the *imam*.

The second factor is attributed to the organizational structure. The KDoZ is the only state that does not put the management of *zakat* under the state administration. As Chapter 7 discussed earlier in Section 7.4.1, the government under the ruling party and the opposition parties, such as PAS, has caused suspicions among the public in regards to the *zakat* assistance distribution. The KDoZ administration is located directly under the supervision of the Sultan. The Sultan ensures that political interference does not occur in the *zakat* administration. This phenomenon has given the KDoZ advantage in terms of *zakat* distribution in which all the poor, regardless of political differences, are eligible to receive assistance if they qualify.

8.3 Recommendation

8.3.1 Reduce the number of committee members

One of the factors affecting the distribution of capital assistance is the number of committee members. The minimum number of committee members as determined by the *Zakat* Enactment of Kedah 1374 (1955) is eleven persons. However, the current number of committee members is 21 persons. This number has presented problems in assembling them for meetings, as discussed earlier. This is because the meetings can only be carried out if at least half of the members are in attendance. Therefore, a reduction in number of committee members should be considered.

8.3.2 Minimize the number of committee members with relationship with Royalty

The relationship between the committee members and the Sultan is one of the factors affecting the implementation of economic programmes. Implementation of economic projects will not receive royals' support because failure will mar their reputations.

Furthermore, there is a belief that failure will result in losses to the *zakat* fund.

Accordingly, two steps can be carried out to solve this problem.

1) **Selection of *zakat* committee members among the *ulama* who are well-versed in modern *zakat* administration**

The current method of committee members' appointment has to be re-evaluated. The committee members appointed from among the *ulama* are from the religious teachers, kadi, and well-known *ulama* in the state of Kedah. The appointment of *ulama* to this group must be reduced. In contrast, the KDoZ must appoint committee members from among *ulama* who are experienced and knowledgeable in advancing the economy of Muslims.

2) **Selection of committee members from among professional business experts.**

The current method of committee members' appointments is based on the appointment methods of the early establishment of the KDoZ. The members are appointed from among District Officers, and officers from the Department of Land and Mines who are involved in paddy areas, the main economic resource

for the state of Kedah prior to 2000. Economic programmes carried out by the District Office for the alleviation of poverty were not successful. This causes them to disagree with the proposal of economic activities by the KDoZ.

Accordingly, professional members who are appointed should be from various backgrounds, including businessmen, motivators, accountants, and others who are interested in improving the economy of the poor. With that, the number of KCS members in the committee can be reduced.

8.3.3 To decrease reliance on the committee

Currently, the committee plays the role of planning assistance programmes for the poor and other related tasks. In addition, an amount of assistance exceeding M\$ 6,000 must receive approval from the committee. However, committee meetings are not regularly conducted. Therefore, decentralisation of power is needed in order to ensure that higher amounts of assistance can be distributed to the poor efficiently. The task of approving such applications can be given to the Secretary of the KDoZ.

8.3.4 Amendment of *Zakat* Enactment of Kedah: To allow the corporate management and administration of KDoZ.

One of the major setbacks for the KDoZ in improving the distribution of *zakat* is the lack of funding for administration purposes. This is because the administration costs of KDoZ depend solely on the *asnaf amil*. Furthermore, KDoZ is not interested in requesting funds from the state government because it wishes to avoid a negative perception from the public in terms of political alignments. Thus, the administration and management of the KDoZ needs to be carried out through the use of corporate models, whereby the *zakat* officers are given financial incentives to increase productivity. Corporate management models can be adapted from the Lembaga *Zakat* Selangorm, which is advanced in terms of *zakat* collection and distribution. Therefore, the amendment of the current *Zakat* Enactment of Kedah is needed for this purpose.

8.3.5 Restrictions based on local collection

The approach of capital assistance distribution, such as the SHS programme, is based on local *zakat* collection. This must be avoided due to the high level of poverty among the

rural population. In the context of Kedah, the group dependent upon paddy farming was the main contributor of *zakat*. However, with the advancement of technology and industrialisation, the collection of property *zakat* increased, and the paddy farmers were no longer the main contributors of *zakat*. Therefore, the past contributions of the paddy farmers' community should be appreciated. The same goes for the population involved in rubber plantations. Nowadays, a majority of them are poor. They have to be made aware of the importance of *zakat*, so that the wealthier members of the group will contribute towards the *zakat* collection.

8.3.6 Empowering the *imam* institution

The role of the *imam* as the representative of KDoZ at the grassroots level is important. This is due to the *imams*' proximity to the public. In addition, at the grassroots level, they are more trusted than other leaders. To advance the roles of *imams*, they need to be given allowances and incentives to give better services to the public. Currently, there is a *zakat* assistance programme for the rural religious teachers that amount to M\$ 400 per year. This paltry amount, however, cannot provide the necessary motivation for them to assist KDoZ.

Chapter Nine

Conclusion

9.1 Introduction

This section discusses the findings related to the objectives formulated from the initial research questions. This will then be followed by a discussion of the main findings. Towards the end of the chapter, limitations and suggestion for further research are presented.

9.2 The need for conducting research

Rural poverty in the state of Kedah is often associated with the Muslim Malay population. The majority of the population is involved in the agricultural sector, mostly based in paddy farming and rubber plantations. Poverty among landowners occurs because of the uneconomic of size of land and low yields. On the other hand, the poor, who do not own land in this area, work as rubber tappers, paddy farmers, and others. Most of the income in this group are below the poverty line. The fieldwork study has revealed that 95% of the respondents earn below the poverty line which is M\$ 415 (Chapter 6, Section 6.1.1). As a result, there is low *zakat* collection in the districts which depend on agriculture as the main economic sector.

Efforts to increase the income of the poor through economic programmes are difficult to carry out due to the terms and conditions established by the coordinator of the programme, be it government bodies or NGOs. Policies for financial assistance distribution are influenced by capitalist thinking whereby the economic achievement is given top priority (Section 2.2) . For poor Muslims, *zakat* assistance is one of the sources of capital. This is because the nature of *zakat* distribution according to the *syariah* differs greatly from the policies of the assistance given by contemporary agencies. *Zakat* has advantage over funds from contemporary agencies in terms of:

- Receivers of *zakat* assistance are eligible to receive the assistance more than once. In contrast, receivers of assistance from contemporary agencies will find it difficult to receive additional assistance if they fail.

- The amount of assistance from the *zakat* fund must be sufficient for the receiver to escape from poverty.
- The poor who are given *zakat* assistance are not required to put anything under mortgage. In contrast, contemporary agencies offering financial assistance will demand guarantee in terms of property mortgage or social guarantors.
- Receivers of *zakat* assistance are not required to make repayments whether they fail or succeed. In contrast, contemporary agencies offering financial assistance, especially the NGOs, will demand repayment of the financial assistance given (refer Section 3.1.4)

The poor, who receive help or are trained to become businessmen and consequently improve their economic standards, will help improve the *zakat* institution by becoming the contributors instead of the receivers. Subsequently, the increased *zakat* collection will expedite efforts in poverty reduction (refer Section 3.1.4 and 3.3.4.3).

The KDoZ should concentrate on efforts in capital assistance programmes for the rural poor. This is more so since the *zakat* collection of KDoZ is among the lowest in Peninsular Malaysia. The KDoZ is one of the earliest *zakat* institutions in Malaysia offering capital assistance programmes in the form of monetary assistance, equipment or employment opportunities for the poor (refer Section 4.7). However, the current scenario shows that the KDoZ is concentrating more on direct monetary assistance for the poor instead of economic assistance programmes. This scenario is a major factor in the decision to carry out research on the subject.

Six objectives were highlighted at the beginning of this study (Sections 1.3 and 1.4). In order to meet the objectives, the study employed a mixed method approach. Qualitative and quantitative approaches were used for the first three objectives, which are 1) to describe the level of awareness and interest towards the SHS programme; 2) to determine the relationship between the socio-demographic background of the recipients of the *zakat* assistance and their awareness of the SHS programme and 3) to identify factors closely associated with the interest and lack of interest of the recipients of the *zakat* assistance to apply for the SHS programme. A questionnaire survey was

performed (n=406) involving the recipients of the AMA in the state of Kedah. The questionnaires were analysed, and the SPSS package was used to perform the Chi-square and Spearman tests. Then, the findings from the questionnaire analysis were cross-referenced with the findings from interviews with The Kedah Department of *Zakat* Officers for verification (n=11). The same respondents were also interviewed in order to obtain answers for the research questions underlined for objectives 4, 5 and 6.

9.2 Research objectives revisited

Objective 1: To describe the level of awareness and interest towards the SHS programme.

The objective was derived from two research questions: 1) Are the poor, who are capable of working, aware of the SHS programme? 2) Are the poor interested with the SHS programme? This study has discovered that a majority of the respondents (80%) was interested with the SHS programme (Section 6.3). However, a majority of the respondents (90%) was also not aware of the existence of the SHS programme. This factor is believed to have caused the low number of SHS receivers (Section 6.1.1). In addition, the method of obtaining assistance is through direct application by the respondents.

Objective 2: To determine the relationship between the socio-demographic background of the recipients of *zakat* assistance and their awareness of the SHS programme.

The result shows a statistically significant relationship between the district *zakat* collection and awareness (6.2.2.1). Respondents from districts with high *zakat* collections, namely Kota Setar and Kuala Muda, show more awareness of the SHS programme compared to respondents from other districts. In addition, the information from the interviews shows that the promotion of the SHS programme was focused in areas or districts with high *zakat* collections (Section 7.25). Muhammad (1993) highlights that the distribution of *zakat* according to the area of collection will not help to alleviate poverty if the majority of residents live below the poverty line. The residents would then require that *zakat* be sourced from other places as well.

The literature study shows that it is better for the *zakat* administrator to find out those eligible to receive *zakat* rather than to expect the poor to come to the office of the *zakat* administrator. The advantage is the *zakat* can be distributed to a large number of the eligible poor. The distribution of the SHS programme is also based on application received; thus, if there is a lack of awareness, proper distribution cannot be carried out. The Chi-square test carried out has shown that there is a relationship between the awareness of the respondents and the socio-demographic variables which include rates of *zakat* collection in the district, number of years have been receiving *zakat* and distance from house to the nearest KDoZ branch office. The result shows that the poor stay in district with high collection of *zakat* more aware of the existence of the SHS programme (6.2.2.1), recipients living near KDoZ branches are more aware of the existence of the SHS programme due to the factors of accessibility and economic activity opportunities (Section 6.2.2.4), recipients of *zakat* assistance after the year 2004 are more aware of the programme than those who received *zakat* earlier (Section 6.2.2.3). The results of the analysis show that the current *zakat* distribution approach has resulted in the awareness of only a small portion of the public towards the SHS programme.

Objective 3: To identify factors closely associated with the interest and lack of interest of the recipients of *zakat* assistance to apply for the SHS programme.

The research question for the objective, what are the phenomenons that influence the interest and lack of interest of the SHS programme. The factors influencing interest and lack of interest were developed based on the literature review in Chapters 2, 3 and 4. Using the mean analysis, significant factors were identified for the inclination towards applying for the SHS programme which are current *zakat* assistance, current income and current occupation. This finding is in line with the findings of the research conducted for *zakat* distribution by Noor (2005). The majority of the respondents (88.6%) interested in the SHS programme were interested in small businesses.

On the other hand, the factors influencing the lack of interest of applying for the SHS programme are current *zakat* assistance, current income, economic activity, lack of

motivation and constraints. The lack of interest towards the SHS programme is significantly related to the age of the respondents, whereby most of them are over 55-years-old (Section 6.3).

Objective 4: To identify the phenomenon leading to the lack of direct distribution of the SHS programme to the capable working poor in rural areas

The research question for the objective is; why the SHS programme is not distributed directly to the poor among the recipients of the AMA. There are three factors leading to this approach by the KDoZ. Firstly, the KDoZ faces the constraint of low *zakat* collection. Lack of *zakat* funds results in the approach of only giving the SHS programme to those already involved in economic activities. This is due to the fact that funds needed to assist existing activities are not as high as the funds for starting a new economic activity. Furthermore, direct distribution of the SHS programme requires more manpower which is difficult to obtain, since there are constraints in the form of low allocation of *zakat* funds for administration. This finding confirms findings from a previous study by P. Ibrahim (2008), which states the lack of funds for the acquisition of workforce has resulted in the inefficient distribution of *zakat*. Next, the current approach for *zakat* distribution gives priority to areas with high *zakat* collections. This approach has resulted in the lack of opportunity to receive the SHS programme among the poor dependent on agricultural activities.

Secondly, the SHS programme is not distributed directly due to the high rate of failure among the recipients or the poor in economic activities. This failure will incur losses upon the *zakat* fund. This perception highly influences the *zakat* committee's decision to focus on the distribution of the AMA instead of the SHS programme. This finding is in line with a previous study by A.S.A. Bakar (2002) who also states that failure in economic activity is a factor influencing the lack of capital assistance given to the poor who are able to work.

Thirdly, a portion of the respondents are of the opinion that the current approach in the distribution of *zakat* is not because of the low *zakat* collection or failure of the recipients, but that it stems directly from the incompetence of the members of the KDoZ

committee in the management of the *zakat* fund (Section 7.3.4.1). This finding is in line with findings from previous studies by Imtiaz (2000) and Noor et al. (2005).

Objective 5: To identify the phenomenon behind the reluctance of the KDoZ to invest in economic activities that will provide employment opportunities for the poor

The research question for this objective is why has the real estate investment that offers employment opportunities to the poor not given much attention. The responses from respondents who agree with the current approach are that real estate investment is not a viable option because of three factors. Firstly, there are difficulties in dealing with the poor. This is based on the difficulties faced by the KDoZ in collecting rental from the poor renting in existing properties owned by the KDoZ. Thus, the KDoZ is not interested in purchasing new properties which can provide work opportunities for the poor (Section 7.4.1). Next, the current approach to property investment by the KDoZ is through the renting out of properties to government bodies and private companies because it is less risky. Profits from this activity are returned directly to the *asnaf* for the poor and needy (Section 7.4.2). Finally, the KDoZ is of the opinion that poverty alleviation through property investment approach is the responsibility of the state government (Section 7.4.3).

In contrast, respondents who agree that property investment which can bring opportunities to the poor is needed in the distribution of *zakat* states that the plan cannot be implemented due to factors involving the committee. The elite members of the committee, especially the Head of Shari'ah is of the opinion that failure in the programme or project will result in difficulties for the committee. Furthermore, the Chairman of the KDoZ committee is not well versed in *zakat* management (Section 7.4.3).

Objective 6: To identify the phenomenon leading to the lack of cooperation between the *zakat* institution with other rural agencies

There are three phenomenon that affect the cooperation of the KDoZ with other rural agencies; 1) political; 2) committee, and 3) financial assistance. In regards to politics,

working with other agencies will lead to the perception among the *zakat* contributors that the KDoZ is influenced by political parties, especially the ruling political party. This is because the provision of assistance by some agencies such as PPRT and TEKUN has only given priority to members of the ruling party (Section 4.5.1.1.2). Such cooperation will affect *zakat* payers who do not prefer to give *zakat* directly to individuals or organizations eligible to receive it.

Additionally, financial assistance is the primary choice for the distribution of *zakat* as opposed to economic aid. Financial assistance does not require inter-agency cooperation and research such as providing training to the poor. The problem of repeat recipients is not given attention to by the KDoZ. This problem requires cooperation among agencies to coordinate data. Lastly, the KDoZ committee is not interested in providing a variety of economic programmes through the funding of *zakat*. Therefore, they do not need to cooperate with other contributing agencies.

9.3 Main findings

This study has found that there are five phenomenons hindering the effective use of *zakat* for poverty alleviation purposes. These factors lead to the inefficient distribution and usage of *zakat* to alleviate poverty as encouraged by Islam. The phenomenons are:

- The perception that *zakat* receivers have high risks of failure in economic activities has influenced the lack of distribution of the SHS programme and property investment activities. This “fear of failure” mindset is practised by contemporary agencies offering assistance, which is based on capitalist thinking where profit is the priority. This finding is in line with findings by A.S.A. Bakar (2002).
- Low allocation of *zakat* funds for administration purposes is also one of the contributing factors. The funding for the administration of *zakat* originates solely for the portion of *zakat* in the *asnab amil* which is 1/8 of the total *zakat* collection. The lack of funding has affected the staffing of the *zakat* offices, subsequently hindering the implementation of economic programmes. In other MAINs, lack of funds also results in the lack of staff for the management of *zakat* (Wahab et al., 1995; Noor, et

al., 2005) Lack of funds still occur even after the MAIN management has received assistance from the state government in addition to the *asnab amil* (Chapter 3, Section 3.2.3).

- The KDoZ management functions through the committee system. Through the application of this system, all aspects of the management of *zakat* have to receive the approval of the appointed committee. This centralisation of power influences the amount of *zakat* distributed to the poor as it has to receive approval from the committee meetings. The implication is that only small amounts of assistance can be distributed through the SHS programme. This finding is in line with a study by JAKIM (2002).
- In the context of Kedah, the total number of members appointed for the committee is twenty-one people. Many of those among the *ulama* appointed as the committee members are elderly. The numbers of committee members and their backgrounds have resulted in difficulties in conducting frequent meetings and their commitment in the management of the KDoZ. In addition, many among them are KCS officers with links to the state royalty. They are less interested in carrying out economic programmes because in the event of failure, they will be questioned by the Sultan.
- Distribution of economic assistance based on the *zakat* collection rate within an area or district results in less economic assistance given to the rural poor dependent upon the agricultural sector. This finding supports findings from a study by Muhammad (1993) which has found that priority placed upon the distribution of *zakat* to the area of collection reduces the effectiveness of *zakat* in poverty alleviation.

This study has also found that there are three advantages of the current practices of *zakat* distribution by the KDoZ in the distribution of economic assistance to the poor, which are:

- The recipients of the assistance do not need to make repayments.
- The KDoZ does not require guarantors to receive capital assistance.
- The KDoZ is free from political influence; thus, the poor, regardless of political standings, are eligible for assistance.

9.4 Limitations of study and implications for future research

There are three limitations in this study that need to be acknowledged. The first limitation of this study is that the survey on the level of awareness of the SHS programme is only focused on the able poor who have received the SHS programme whereas the able poor receiving assistance from other agencies are not considered in the survey. Thus, the findings on this aspect cannot be generalised to cover the overall able poor population throughout the state. In other words, no assumptions can be made for the lack of interest of the recipients of capital assistance from other agencies in applying for the SHS programme as they are not aware of the existence of the SHS programme.

The second limitation of this study is the small number of documents analysed on the *zakat* expenditure for the SHS programme. Documented references are limited to the annual charity reports, correspondence and the SHS reports. Such information cannot provide in-depth information related to the number of local collection and distribution rates in the area.

The third limitation of this study is the verbatim feedback which focused only on the KDoZ officers and former officers regarding the problem in the SHS distribution and the lack of varieties in the SHS programme. This study has not involved the opinions of other agencies involved in poverty eradication, such as the District Office, AIM, TEKUN and others to give their views relating to the KDoZ approach. Therefore, this study has been unable to provide as deeper analysis of the suitability of the KDoZ approach, *zakat* committee weakness as and a lack of cooperation between the KDoZ committee with other rural agencies.

In light of the findings as well as limitation raised above, it is apparent that further research on this subject needs to be conducted.

Firstly, this study shows that many people are not aware about the existence of the SHS programme but are interested in applying for the SHS programme. Consequently, future research is required to discover the level of awareness of the SHS programme among the able poor receiving economic assistance from other agencies.

Research on this aspect will explain factors of a lack of interest in applying for the SHS programme, factors influencing the choice of other agencies apart from the KDoZ as well as the choice for the SHS programme and interest in the SHS programme.

Secondly, this study has provided an insight into the suitability of the implementation of the local distribution to eradicate poverty especially in the rural areas. The documentation and verbatim analysis has found that the factors of SHS distribution are influenced by the performance of the local community. Potential in-depth research could be conducted specifically to look at the patterns of *zakat* collections and distributions by examining the source of the KDoZ account.

In addition, this study has provided an overview of the need for cooperation between the KDoZ with other rural agencies. A new potential study can be conducted by involving the views of *zakat* officers in rural areas on factors that affect the efficiency of the KDoZ in carrying out economic aid.

Glossary

<i>Al gharimin</i>	Those who are in debt as allowed by the <i>shari'ah</i>
<i>Amil</i>	Recipient of <i>zakat</i> proceeds, appointed by the committee of department of <i>zakat Kedah</i>
<i>Amil koperat</i>	Corporate <i>amil</i>
<i>Ar-riqab</i>	Slaves
<i>Asnaf</i>	Beneficiaries
<i>Awak-awak</i>	Assistance for low-waged boat operators
<i>Awsaq</i>	<i>Wasq</i> , a measure of volume used in agriculture
<i>Baitulmal</i>	House of treasury
<i>Beras</i>	Husked rice
<i>Bumiputera</i>	“sons of the earth”
<i>Buruh</i>	Manual labour
<i>Daerah</i>	District
<i>Dakwah</i>	Missionary work
<i>Dato'</i>	Honorific title conferred by a hereditary royal ruler of one of the nine Malay states.
<i>Datuk</i>	Title conferred by the governor.
<i>Dirhams</i>	A silver coin used as currency, one equal to one
<i>Eid</i>	"festivity" or "celebration"
<i>Faqir</i>	People without money or property, or those whose property is less than half of what they require
<i>Firriqab</i>	Slave who is required to pay a certain amount to his master to obtain his freedom
<i>Fisabilillah</i>	Works or effort accepted by Islamic teachings
<i>Fuqara</i>	Plural for <i>faqir</i>
<i>Gantang</i>	Malay unit of measurement, the volume of which equals 1 gallon and weight 5.6 lbs or 2.5401 kg.
<i>Getah</i>	Rubber
<i>Hak raja</i>	<i>Sultan's</i> rights
<i>Harta</i>	Wealth
<i>Haul</i>	Person's annual earnings
<i>Ibni sabil</i>	Those who travel and are in need of assistance, even though they have property at home
<i>Ijtihad</i>	the process of reaching a legal decision on the basis of one's own interpretation of Islamic law

<i>Imam</i>	Leader of a mosque, appointed by the council for Islamic religious affairs
<i>Jajahan</i>	<i>Daerah</i> or District
<i>Jawatankuasa:</i>	Committee
<i>Jumaat:</i>	Friday
<i>Kadi:</i>	Muslim judge on Islamic matters such as marriage, divorce etc.
<i>Kampung baru:</i>	New village: established to reduce dependence on supplies from Chinese rural residents and communist-led insurgents
<i>Kampung:</i>	Village
<i>Kariah:</i>	Parish
<i>Khutbah</i>	Sermon
<i>Lain-lain</i>	Others
<i>Laporan:</i>	Report
<i>Masakin</i>	Plural for <i>miskin</i>
<i>Masjid:</i>	Mosque. In Malaysia, it refers to an <i>Islamic</i> place of worship licensed by the Islamic authority for the performance of the <i>jumaat</i> prayer.
<i>Menara</i>	Tower
<i>Miskin</i>	People who have only half of the necessary money or property.
<i>Muallaf</i>	Those who have just converted to Islam
<i>Mukim</i>	Sub-district
<i>Negeri</i>	State
<i>Nisab</i>	The minimum quantity or amount of an asset which makes it liable to <i>zakat</i>
<i>Orang baik</i>	Honest people
<i>Padi</i>	Paddy
<i>Pawah</i>	Sharecropping system applied to owner and tenant, in Malaysia, the rubber tapper is required to give the owner half of the proceeds from the sale of the rubber.
<i>Pejabat</i>	Office
<i>Pendapatan</i>	Income
<i>Penghulu</i>	<i>Mukim</i> 's headman
<i>Penyata</i>	Statement
<i>Perniagaan</i>	Business
<i>Pondok</i>	Temporary residence. In <i>Malay</i> , <i>pondok</i> refers to a hut occupied by 2 to 3 students and is situated by the <i>tok guru</i> 's house.
<i>Raja muda</i>	Crown prince
<i>Raja</i>	King
<i>Relong</i>	Malay unit of measurement. One <i>relong</i> = 0.28 hectares
<i>Ramadan</i>	The holy month of prescribed fasting for the Muslims

<i>Sadaqa</i>	Alms / charity / voluntary contribution for a good cause
<i>Saham</i>	Share
<i>Sarong</i>	A long traditional garment worn by Malaysian men and women
<i>Shari'ah</i>	Code of conduct as laid down in the Qur'an and the <i>sunnah</i>
<i>Simpanan</i>	Savings
<i>Sultan</i>	The ruler of a Muslim country/ state
<i>Surah</i>	A chapter of the Holy Qur'an
<i>Surau</i>	A small mosque that is not licensed by the Islamic authority for the performance of the <i>jumaat</i> prayer.
<i>Tahunan</i>	Yearly
<i>Tan sri</i>	The second most senior federal title.
<i>Tok guru</i>	Master or title given to a person well versed in <i>Islamic</i> teachings
<i>Tukang rumah</i>	House builder
<i>Ugama</i>	Old spelling for <i>agama</i> (religion)
<i>Ulama</i>	Islamic scholars
<i>Upah</i>	Wages
<i>Ushr</i>	<i>Zakat</i> on agriculture
<i>Ya sin</i>	<i>Surah</i> 36 in the glorious Qur'an.
<i>Yang dipertua</i>	Chairman
<i>Yang di-pertuan agong</i>	Paramount ruler
<i>Zakat al-fitr</i>	An amount given in charity to the poor at the end of Ramadhan, to ensure that everyone has enough to eat during Eid al-Fitr
<i>Zakat al-mal</i>	<i>Zakat</i> on wealth
<i>Zakat paddy</i>	<i>Zakat</i> on paddy
<i>Zakat pendapatan</i>	<i>Zakat</i> on income
<i>Zakat perniagaan</i>	<i>Zakat</i> on business
<i>Zakat upah</i>	The wages paid to workers who help the farmers in planting paddy
<i>Zakat</i>	Poor due; poor tax on the wealth of well-to-do Muslims in accordance with the provisions of <i>shari'ah</i>

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Appendixes

APPENDIX 'A'



Lukman Hakim Mahamod
Islamic and Middle Eastern Studies
THE UNIVERSITY of EDINBURGH (UK)

Tuan/Puan

(Mr./Ms./Mrs.)

Saya merupakan pelajar ijazah tinggi di University of Edinburgh. Kajian Soal selidik ini merupakan sebahagian daripada keperluan thesis Doktor Falsafah yang bertajuk ***Zakat dalam Pembasmian Kemiskinan di Kedah.***

*I am a student of the University of Edinburgh. This questionnaire is a requirement for my PhD. research titled **The Role of Zakat in Poverty Eradication***

Objektif soal selidik ini ialah:

The objective of this questionnaire is to:

- (1) **Mengkaji tahap kesedaran dan minat terhadap Bantuan Jaya Diri (BJD) di kalangan penerima bantuan zakat kewangan tahunan.** *(To describe level of awareness and interest towards SHS among the receivers of Annual Monetary Assistance (AMA))*
- (2) **Mengenalpasti faktor-faktor yang terlibat dalam mempengaruhi minat penerima bantuan zakat kewangan tahunan terhadap BJD** *(To identify factors which are closely associated with preference to apply for SHS)*
- (1) **Mengenalpasti pertalian antara latar belakang penerima bantuan AMA dan tahap kesedaran mereka terhadap SHS** *(To determine the relationship between socio-demographic background of AMA receivers and their awareness towards SHS)*

Soal selidik ini dibahagikan kepada empat (3) bahagian:

This questionnaire is divided into four (3) parts:

Bahagian A: Latarbelakang Responden

Part A: *Background of respondents*

Bahagian B: Latar Belakang dan kesedaran terhadap Bantuan Zakat

Part B: Background and awareness towards Zakat Assistance

Bahagian C: Persepsi kepada faktor BERMINAT dan TIDAK BERMINAT terhadap Bantuan Jaya Diri

Part C: Perception of INTERESTED and NOT INTERESTED factors towards SHS

MAKLUMAN BANCIAN

SURVEY INFORMATION

1	2	3	4	5
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Kod Pembanci

Enumerator code

Tarikh dan masa: _____

Date and time

Bilangan: _____/_____

No.:

Bahagian A: Latarbelakang Responden

Section A: Background of Respondent

1 Umur: _____
Age

2 Pendapatan: MYR _____
Income

3 Jantina /Sex:

1) Lelaki / <i>Male</i>	
2) Perempuan / <i>Female</i>	

4 Status perkahwinan / *Marital Status*:

1) Bujang / <i>Single</i>	
2) Berkahwin / <i>Married</i>	
3) Duda / <i>Single parent</i>	
4) Janda / <i>Single mother</i>	

5 Pendidikan / *Education*

1) Tidak bersekolah / <i>Not educated</i>	
2) Sekolah rendah / <i>Primary school</i>	
3) Sekolah menengah (tingkatan 3) / <i>Secondary school (form 3)</i>	
4) Sekolah menengah (tingkatan 5) / <i>Secondary school (form 5)</i>	

6 Pekerjaan / *Occupation*

- 1) Penoreh getah / *Rubber tapper*
- 2) Pesawah / *Paddy farmer*
- 3) Buruh kampung / *Village labor*
- 4) Perniagaan kecil-kecilan) / *Small business*
- 5) Lain lain (nyatakan) / *Others (state)*

Bahagian B: Latar Belakang dan kesedaran terhadap Bantuan Zakat

Part B: Background and awareness towards Zakat Assistance

Bahagian B(1): Latar belakang Bantuan Zakat

Section B(1): Zakat Assistance Background

1 Tahun mula menerima zakat / *Initial year received zakat*: _____

2 Jarak ke Pejabat Cawangan Daerah Jabatan Zakat Kedah / *Distance to the Department of Zakat Office*
(District office): _____ km

Bahagian B(2): Persetujuan terhadap cara mendapat maklumat berkaitan bantuan zakat

Section B(2): Agreement towards methods in obtaining information related to zakat assistance.

- i. Nyatakan samaada anda bersetuju atau tidak bersetuju tentang cara mendapat maklumat berkaitan zakat
/Please state your agreement towards the following methods of obtaining information related to zakat assistance.

	Tidak bersetuju <i>/Disagree</i>	Bersetuju / <i>Agree</i>
1 Saya pernah membaca laporan zakat tahunan yang dikeluarkan oleh JZK / <i>I have read the annual zakat report published by the KDoZ</i>	(1)	(2)
2 Saya pernah membaca risalah berkaitan tawaran bentuk bantuan zakat dikeluarkan oleh JZK / <i>I have read an article on the SHS programme published by the KDoZ</i>	(1)	(2)
3 Saya pernah berbincang berkaitan bantuan zakat di JZK branch officemengunjungi pejabat zakat / <i>I have discussed matters related to zakat assistance with an officer in the KDoZ office</i>	(1)	(2)
4 Saya pernah berbincang dengan imam berkaitan bantuan / <i>I have discussed matters related to zakat assistance programmes with the Imam</i>	(1)	(2)

Bahagian B (3): kesedaran terhadap BJD

Section B (3): Awareness Towards SHS

Jabatan Zakat Kedah menawarkan bantuan zakat kepada mereka yang ingin menambah pendapatan tetapi bantuan yang diberikan adalah dalam bentuk peralatan dan perkakasan. Antara bantuan yang diberikan seperti mesin jahit, mesin pemotong rumput, ketuhar gelombang mikro dan sebagainya. Bantuan zakat ini dipanggil sebagai Bantuan Jaya Diri.

The Kedah Department of Zakat (KDoZ) offered zakat assistance to those willing to increase their income but require assistance in the forms of equipment or tools. Among the assistance offered are sewing machines, grass trimmers, micro waves and etc. This type of zakat assistance is known as Self Help Support (SHS).

1 Adakah encik tahu JZK menawarkan **bantuan ekonomi** melalui program **bantuan jaya diri (BJD)** / *Are you aware that DoZK is offering economic assistance known as Self Help Support (SHS)*

(1) Tidak – Jika menjawab tidak, terus ke bahagian C /

No - if no, proceed to section C

(2) Ya – Jika menjawab ya, terus ke soalan 2 (bahagian ini)

Yes – if yes, proceed to question 2 (this section

- 2 Adakah anda pernah memohon BJD? /
Have you ever applied for SHS zakat assistance?
- (1) Tidak - jika menjawab tidak terus ke Bahagian C /
No - if no, proceed to section C
- (2) Ya – jika menjawab ya, terus ke soalan 3 /
Yes – if yes, proceed to question 3
- 3 Apakah status permohonan tersebut? /
What is the status of the application?
- (1) Gagal / *Failed*
- (2) Dalam proses / *In progress*
- (3) Lulus dan telah lama menerima bantuan / *Pass and have received the assistance*
- 4 Bilakah anda memohon? / When did you apply? _____

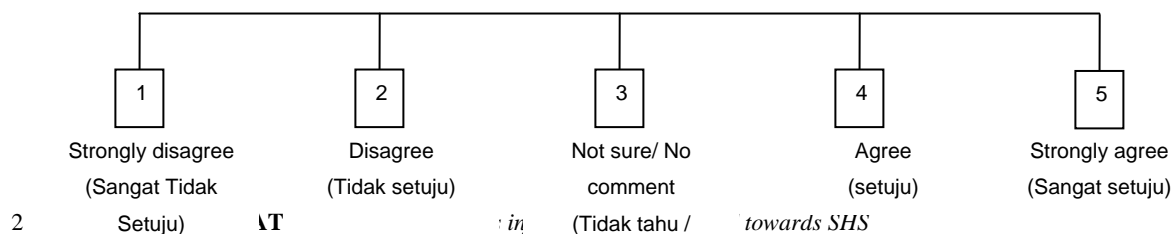
BAHAGIAN C: PERSEPSI KEPADA FAKTOR BERMINAT DAN TIDAK BERMINAT TERHADAP BANTUAN JAYA DIRI /

PART C: PERCEPTION OF INTERESTED AND NOT INTERESTED FACTORS TOWARDS SHS

- 1 Adakah anda berminat memohon bantuan SHS? / *Are you interested in applying for SHS?*
- (1) Tidak – Jika tidak, teruskan ke soalan 2 / *No - if no, proceed to Question 2*
- (2) Ya – teruskan ke soalan 3 / *Yes – if yes, proceed to Question 3, 4, 5*

Question 2 and 3 are based on the scale below. Please answer according to the scale given.

(Soalan 2 dan 3 berdasarkan skala bawah. Tandakan jawapan anda berdasarkan skala yang diberi)



FAKTOR BANTUAN ZAKAT SEMASA YANG DITERIMA / *Factors Related To Current Zakat Assistance Received*

- Bantuan kewangan zakat tahunan yang saya terima tidak mencukupi untuk dijadikan modal / *The Annual Monetary Assistance I receive is not enough to serve as capital* (1) (2) (3) (4) (5)
- Bantuan zakat kewangan tahunan yang diterima hanya mencukupi keperluan (1) (2) (3) (4) (5)

asas kehidupan / <i>The Annual Monetary Assistance I receive is only enough to cover my basic needs/ expenses</i>					
Bantuan zakat yang diterima tidak dapat melepaskan diri dari kemiskinan dalam jangka masa panjang / <i>The zakat assistance I receive does not help me in the long term to escape from poverty</i>	(1)	(2)	(3)	(4)	(5)
'Saya tidak berminat untuk menerima bantuan kewangan zakat tahunan selamanya / <i>I am not interested in receiving Annual Monetary Assistance for the rest of my life</i>	(1)	(2)	(3)	(4)	(5)
Saya Ingin berubah dari penerima kepada pembayar zakat / <i>I want to change from being a zakat receiver to a zakat payer.</i>	(1)	(2)	(3)	(4)	(5)
FAKTOR TERHADAP PENDAPATAN SEKARANG / <i>Factors Related To Current Income</i>					
Hasil pendapatan hanya mencukupi untuk keperluan asas / <i>My current income is only sufficient to cover my basic needs/expenses</i>	(1)	(2)	(3)	(4)	(5)
Hasil pendapatan tidak mencukupi untuk lain-lain keperluan hidup yang lebih selesa / <i>My current income is not sufficient to provide me with better living conditions</i>	(1)	(2)	(3)	(4)	(5)
Hasil pendapatan pekerjaan saya sekarang tidak dapat melepaskan diri dari kemiskinan / <i>My current income does not enable me to escape from poverty</i>	(1)	(2)	(3)	(4)	(5)
FAKTOR TERHADAP PEKERJAAN SEKARANG / <i>Factors Related To Current Occupation</i>					
Pekerjaan saya sekarang tidak menjamin masa depan / <i>My current occupation does not guarantee my future.</i>	(1)	(2)	(3)	(4)	(5)
Tiada peluang pekerjaan lain di sini / <i>There are not any other work opportunities here.</i>	(1)	(2)	(3)	(4)	(5)
Saya berminat untuk bekerja sendiri – tidak menyewa atau pawah / <i>I am interested in working independently – without renting</i>	(1)	(2)	(3)	(4)	(5)
Pekerjaan saya sekarang tidak sesuai dengan tahap kesihatan dan usia / <i>My current occupation is not suited to my level of health and age</i>	(1)	(2)	(3)	(4)	(5)
Memerlukan pekerjaan sampingan untuk menambah pendapatan keluarga / <i>I need to do additional work to increase my family's income</i>	(1)	(2)	(3)	(4)	(5)
FAKTOR POTENSI DAN KEMAHIRAN / <i>Factors Related To Potential And Skills</i>					
Saya melihat banyak peluang aktiviti ekonomi dikawasan ini / <i>I see a lot of potential for economic activities in this area</i>	(1)	(2)	(3)	(4)	(5)
Saya mempunyai kemahiran yang berpotensi dikembangkan / <i>I possess a skill</i>	(1)	(2)	(3)	(4)	(5)

<i>that has the potential for growth</i>					
Ahli keluarga saya mempunyai kemahiran yang berpotensi dikembangkan / <i>My family members possess skills that have the potential for growth</i>	(1)	(2)	(3)	(4)	(5)
Pekerjaan saya sekarang berpotensi dikembangkan tetapi memerlukan modal yang lebih besar untuk berkembang maju / <i>My current occupation has the potential for growth, but requires large capital</i>	(1)	(2)	(3)	(4)	(5)
FAKTOR MOTIVASI BEKERJA / Factors Related To Work Motivation					
Saya sanggup menghadapi risiko gagal meninggalkan pekerjaan sekarang / <i>I am willing to take the risk of failure and leave my current occupation.</i>	(1)	(2)	(3)	(4)	(5)
Terdapat kawan yang berjaya setelah menerima bantuan ekonomi / <i>I have friends who have succeeded after receiving economic assistance.</i>	(1)	(2)	(3)	(4)	(5)
Terdapat agensi kerajaan yang akan membantu sekiranya saya telah memulakan kegiatan ekonomi / <i>There are government agencies which will help me if I have started my economic activity</i>	(1)	(2)	(3)	(4)	(5)
Terdapat kawan-kawan serta sanak saudara yang akan membantu sekiranya gagal / <i>I have friends and family who will help me if I encounter failure</i>	(1)	(2)	(3)	(4)	(5)
Saya yakin dengan bantuan ekonomi yang berpatutan akan meningkatkan pendapatan / <i>I am confident that reliable economic assistance will help me increase my income</i>	(1)	(2)	(3)	(4)	(5)
Ingin memberi pendidikan yang lebih sempurna kepada anak-anak / <i>I want to provide better education for my children</i>	(1)	(2)	(3)	(4)	(5)
Ingin memiliki rumah yang lebih selesa / <i>I want a more comfortable house</i>	(1)	(2)	(3)	(4)	(5)
PERSEPSI TERHADAP FAKTOR HALANGAN / Perception Towards Deterrents					
Saya tiada masalah kesihatan yang membebankan / <i>I do not have any serious health problems</i>	(1)	(2)	(3)	(4)	(5)
Tiada ahli keluarga saya yang perlu diberi perhatian sepenuh masa akibat masalah kesihatan / <i>I do not have family members which require my full attention due to health reasons</i>	(1)	(2)	(3)	(4)	(5)
Saya tiada masalah pengangkutan / <i>I have no problems in terms of transportation</i>	(1)	(2)	(3)	(4)	(5)

APAKAH BENTUK KEGIATAN EKONOMI YANG HENDAK DICEBURI

/ What are the economic activities you are interested in?

1	Perniagaan (runcit, makanan, pasar / <i>Business (retail, food, market)</i>)
2	Pemborong / <i>Wholesale</i>
3	Pertanian moden (ternakan, proses makanan dan etc / <i>Modern agriculture (farming, food processing, etc.)</i>)
4	Pengangkutan / <i>Transportation</i>
5	Pertukangan / <i>Craftsmanship</i>

BERAPAKAH JUMLAH MODAL YANG MENCUKUPI UNTUK MENJADI AKTIVITI EKONOMI YANG ANDA CEBURI BERJAYA?

/ What Is The Amount Of Capital Necessary For The Success Of Your Economic Activity?

1	Kurang dari RM 2999 / <i>Less than MYR 2,999</i>
2	RM 3,000-RM5,999 / <i>MYR 3,000 – MYR 5,999</i>
3	RM 6,000-RM9,999 / <i>MYR 6,000 – MYR 9,999</i>
4	Lebih dari RM10,000 / <i>More than MYR 10,000</i>

3 Faktor **TIDAK BERMINAT** dengan BJD / *Factors influencing NOT INTEREST towards SHS*

FAKTOR BANTUAN ZAKAT SEMASA YANG DITERIMA / Factors Related To Current Zakat Assistance Received

Bantuan kewangan (zakat) sekali setahun yang diterima telah melepaskan kami dari kemiskinan / <i>The annual zakat assistance we received has helped us escape from poverty</i>	(1)	(2)	(3)	(4)	(5)
Bantuan wang tahunan sudah dapat menampung keperluan keluarga kami / <i>Our annual monthly assistance is sufficient to provide for the family.</i>	(1)	(2)	(3)	(4)	(5)
Bantuan wang tahunan adalah tidak berisiko berbanding bantuan modal / <i>Annual monetary assistance is less risky than capital assistance.</i>	(1)	(2)	(3)	(4)	(5)
Bantuan semasa yang diterima diberi berterusan berbanding bantuan modal / <i>Our current assistance is continuous as compared to capital assistance.</i>	(1)	(2)	(3)	(4)	(5)
Bentuk bantuan kewangan adalah yang terbaik dari lain-lain bantuan / <i>Financial assistance is better than any other forms of assistance</i>	(1)	(2)	(3)	(4)	(5)

FAKTOR TERHADAP PENDAPATAN SEKARANG / Factors Related To Current Income

Jumlah pendapatan yang saya terima sekarang sudah mencukupi / <i>My current income is sufficient.</i>	(1)	(2)	(3)	(4)	(5)
Hasil pendapatan dari pekerjaan saya sekarang sudah dapat melepaskan diri dari kemiskinan/ <i>My current income is enough to help me escape from poverty</i>	(1)	(2)	(3)	(4)	(5)
^v Bentuk pekerjaan saya sekarang sudah menjamin masa depan / <i>My current occupation guarantees my future</i>	(1)	(2)	(3)	(4)	(5)

FAKTOR KEGIATAN EKONOMI / Factors Related To Economic Activity

Kurang peluang aktiviti ekonomi dikawasan ini / <i>There is a lack of opportunity in terms of economic activity in this area.</i>	(1)	(2)	(3)	(4)	(5)
Belum ada aktiviti ekonomi yang sesuai dengan saya yang hendak diceburi / <i>I have not found an economic activity that is suited to my interests</i>	(1)	(2)	(3)	(4)	(5)
Hasil dari aktiviti ekonomi adalah lambat / <i>The profit from economic activity is slow</i>	(1)	(2)	(3)	(4)	(5)
Pendapatan dari kegiatan ekonomi tidak pasti berbanding pekerjaan sekarang/ <i>The income from economic activity is not guaranteed as compared to my current income.</i>	(1)	(2)	(3)	(4)	(5)

FAKTOR KURANG MOTIVASI / Factors Related To Lack Of Motivation

^x Saya tidak sanggup menghadapi risiko gagal meninggalkan pekerjaan sekarang / <i>I am not willing to take risks by leaving my current occupation</i>	(1)	(2)	(3)	(4)	(5)
^y Terdapat kawan saya yang semakin miskin setelah menerima bantuan ekonomi / <i>I have friend who became poorer after receiving economic assistance.</i>	(1)	(2)	(3)	(4)	(5)
Tiada penerima zakat BJD yang berjaya dikawasan ini / <i>There are no successful recipients of SHS in this area.</i>	(1)	(2)	(3)	(4)	(5)
^y Saya juga tidak mempunyai kawan-kawan dan sanak saudara yang akan membantu saya sekiranya gagal / <i>I do not have friends or family who would help me if I failed</i>	(1)	(2)	(3)	(4)	(5)
^x Hasil dari pendapatan sekarang sudah dapat memberi pendidikan yang sempurna kepada anak-anak / <i>My current income is enough to provide my children with good education.</i>	(1)	(2)	(3)	(4)	(5)
^{xv} Keadaan rumah saya sekarang sudah selesa / <i>My current residence is comfortable.</i>	(1)	(2)	(3)	(4)	(5)

5. FAKTOR HALANGAN

^x Saya ada masalah dengan kesihatan yang membebankan / <i>I have serious health problems.</i>	(1)	(2)	(3)	(4)	(5)
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Terdapat ahli keluarga saya yang perlu diberi perhatian sepenuh masa akibat masalah kesihatan / *I have a family member who requires full attention due to health problems.* (1) (2) (3) (4) (5)

¸Saya ada masalah pengangkutan / *I have problems related to transportation* (1) (2) (3) (4) (5)

Sekian Terima Kasih / Thank you very much

APPENDIX 'B'

Table: Cross-tabulation of district where respondent stay with respondents' gender

District where respondent stay		Sex		Total
		Male	Female	
Baling	Count	14	16	30
	% within District where respondent stay	46.7%	53.3%	100.0%
	% within Sex	6.9%	7.8%	7.4%
Bandar Baharu	Count	4	7	11
	% within District where respondent stay	36.4%	63.6%	100.0%
	% within Sex	2.0%	3.4%	2.7%
Kota Setar	Count	53	44	97
	% within District where respondent stay	54.6%	45.4%	100.0%
	% within Sex	26.2%	21.6%	23.9%
Kuala Muda	Count	24	24	48
	% within District where respondent stay	50.0%	50.0%	100.0%
	% within Sex	11.9%	11.8%	11.8%
Kubang Pasu	Count	25	17	42
	% within District where respondent stay	59.5%	40.5%	100.0%
	% within Sex	12.4%	8.3%	10.3%
Sik	Count	14	15	29
	% within District where respondent stay	48.3%	51.7%	100.0%
	% within Sex	6.9%	7.4%	7.1%
Kulim	Count	8	21	29
	% within District where respondent stay	27.6%	72.4%	100.0%
	% within Sex	4.0%	10.3%	7.1%
Padang Terap	Count	16	12	28
	% within District where respondent stay	57.1%	42.9%	100.0%
	% within Sex	7.9%	5.9%	6.9%
Pendang	Count	19	15	34
	% within District where respondent stay	55.9%	44.1%	100.0%
	% within Sex	9.4%	7.4%	8.4%
Yan	Count	18	15	33
	% within District where respondent stay	54.5%	45.5%	100.0%
	% within Sex	8.9%	7.4%	8.1%
Langkawi	Count	7	18	25
	% within District where respondent stay	28.0%	72.0%	100.0%
	% within Sex	3.5%	8.8%	6.2%
Total	Count	202	204	406
	% within District where respondent stay	49.8%	50.2%	100.0%
	% within Sex	100.0%	100.0%	100.0%

Table: Cross-tabulation of district of residence by age category

District where respondent stay		Age category				Total
		< 35 years old	35-45 years old	46-55 years old	> 56 years old	
Baling	Count	0	9	21	0	30
	% within District where respondent stay	.0%	30.0%	70.0%	.0%	100.0%
	% within Age category	.0%	7.3%	8.1%	.0%	7.4%
Bandar Baharu	Count	0	1	9	1	11
	% within District where respondent stay	.0%	9.1%	81.8%	9.1%	100.0%
	% within Age category	.0%	.8%	3.5%	6.3%	2.7%
Kota Setar	Count	3	39	53	2	97

Kuala Muda	% within District where respondent stay	3.1%	40.2%	54.6%	2.1%	100.0%
	% within Age category	37.5%	31.7%	20.5%	12.5%	23.9%
	Count	2	17	26	3	48
Kubang Pasu	% within District where respondent stay	4.2%	35.4%	54.2%	6.3%	100.0%
	% within Age category	25.0%	13.8%	10.0%	18.8%	11.8%
	Count	0	15	25	2	42
Sik	% within District where respondent stay	.0%	35.7%	59.5%	4.8%	100.0%
	% within Age category	.0%	12.2%	9.7%	12.5%	10.3%
	Count	0	6	22	1	29
Kulim	% within District where respondent stay	.0%	20.7%	75.9%	3.4%	100.0%
	% within Age category	.0%	4.9%	8.5%	6.3%	7.1%
	Count	0	7	21	1	29
Padang Terap	% within District where respondent stay	.0%	24.1%	72.4%	3.4%	100.0%
	% within Age category	.0%	5.7%	8.1%	6.3%	7.1%
	Count	3	3	22	0	28
Pendang	% within District where respondent stay	10.7%	10.7%	78.6%	.0%	100.0%
	% within Age category	37.5%	2.4%	8.5%	.0%	6.9%
	Count	0	10	21	3	34
Yan	% within District where respondent stay	.0%	29.4%	61.8%	8.8%	100.0%
	% within Age category	.0%	8.1%	8.1%	18.8%	8.4%
	Count	0	4	28	1	33
Langkawi	% within District where respondent stay	.0%	12.1%	84.8%	3.0%	100.0%
	% within Age category	.0%	3.3%	10.8%	6.3%	8.1%
	Count	0	12	11	2	25
Total	% within District where respondent stay	.0%	48.0%	44.0%	8.0%	100.0%
	% within Age category	.0%	9.8%	4.2%	12.5%	6.2%
	Count	8	123	259	16	406
	% within District where respondent stay	2.0%	30.3%	63.8%	3.9%	100.0%
	% within Age category	100.0%	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of district where respondent stay with their marital status

District where respondent stay		Marital status			Total
		Single	Married	Widow	
Baling	Count	4	11	15	30
	% within District where respondent stay	13.3%	36.7%	50.0%	100.0%
	% within Marital status	9.8%	5.4%	9.3%	7.4%
Bandar Baharu	Count	0	4	7	11
	% within District where respondent stay	.0%	36.4%	63.6%	100.0%
	% within Marital status	.0%	2.0%	4.3%	2.7%
Kota Setar	Count	12	52	33	97
	% within District where respondent stay	12.4%	53.6%	34.0%	100.0%
	% within Marital status	29.3%	25.6%	20.4%	23.9%
Kuala Muda	Count	9	20	19	48
	% within District where respondent stay	18.8%	41.7%	39.6%	100.0%
	% within Marital status	22.0%	9.9%	11.7%	11.8%
Kubang Pasu	Count	5	24	13	42

Sik	% within District where respondent stay	11.9%	57.1%	31.0%	100.0%
	% within Marital status	12.2%	11.8%	8.0%	10.3%
Kulim	Count	0	16	13	29
	% within District where respondent stay	.0%	55.2%	44.8%	100.0%
Padang Terap	% within Marital status	.0%	7.9%	8.0%	7.1%
	Count	0	14	15	29
Pendang	% within District where respondent stay	.0%	48.3%	51.7%	100.0%
	% within Marital status	.0%	6.9%	9.3%	7.1%
Yan	Count	6	14	8	28
	% within District where respondent stay	21.4%	50.0%	28.6%	100.0%
Langkawi	% within Marital status	14.6%	6.9%	4.9%	6.9%
	Count	0	23	11	34
Total	% within District where respondent stay	.0%	67.6%	32.4%	100.0%
	% within Marital status	.0%	11.3%	6.8%	8.4%
Total	Count	2	18	13	33
	% within District where respondent stay	6.1%	54.5%	39.4%	100.0%
Total	% within Marital status	4.9%	8.9%	8.0%	8.1%
	Count	3	7	15	25
Total	% within District where respondent stay	12.0%	28.0%	60.0%	100.0%
	% within Marital status	7.3%	3.4%	9.3%	6.2%
Total	Count	41	203	162	406
	% within District where respondent stay	10.1%	50.0%	39.9%	100.0%
Total	% within Marital status	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of district of respondents stay with their education level

District where respondent stay		Education level				Total
		No schooling	Primary School	Secondary school (form 3)	Secondary school (form 5)	
Baling	Count	19	2	8	1	30
	% within District where respondent stay	63.3%	6.7%	26.7%	3.3%	100.0%
Bandar Baharu	% within Education level	6.7%	3.1%	18.6%	6.7%	7.4%
	Count	9	2	0	0	11
Kota Setar	% within District where respondent stay	81.8%	18.2%	.0%	.0%	100.0%
	% within Education level	3.2%	3.1%	.0%	.0%	2.7%
Kuala Muda	Count	52	23	20	2	97
	% within District where respondent stay	53.6%	23.7%	20.6%	2.1%	100.0%
Kubang Pasu	% within Education level	18.4%	35.4%	46.5%	13.3%	23.9%
	Count	28	14	4	2	48
Sik	% within District where respondent stay	58.3%	29.2%	8.3%	4.2%	100.0%
	% within Education level	9.9%	21.5%	9.3%	13.3%	11.8%
Kulim	Count	27	5	5	5	42
	% within District where respondent stay	64.3%	11.9%	11.9%	11.9%	100.0%
Kulim	% within Education level	9.5%	7.7%	11.6%	33.3%	10.3%
	Count	25	2	0	2	29
Kulim	% within District where respondent stay	86.2%	6.9%	.0%	6.9%	100.0%
	% within Education level	8.8%	3.1%	.0%	13.3%	7.1%
Kulim	Count	23	3	1	2	29
	% within District where respondent stay	79.3%	10.3%	3.4%	6.9%	100.0%
Kulim	% within Education level	8.1%	4.6%	2.3%	13.3%	7.1%

Padang Terap	Count	26	2	0	0	28
	% within District where respondent stay	92.9%	7.1%	.0%	.0%	100.0%
	% within Education level	9.2%	3.1%	.0%	.0%	6.9%
Pendang	Count	28	4	2	0	34
	% within District where respondent stay	82.4%	11.8%	5.9%	.0%	100.0%
	% within Education level	9.9%	6.2%	4.7%	.0%	8.4%
Yan	Count	31	2	0	0	33
	% within District where respondent stay	93.9%	6.1%	.0%	.0%	100.0%
	% within Education level	11.0%	3.1%	.0%	.0%	8.1%
Langkawi	Count	15	6	3	1	25
	% within District where respondent stay	60.0%	24.0%	12.0%	4.0%	100.0%
	% within Education level	5.3%	9.2%	7.0%	6.7%	6.2%
Total	Count	283	65	43	15	406
	% within District where respondent stay	69.7%	16.0%	10.6%	3.7%	100.0%
	% within Education level	100.0%	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of district where respondent stay with occupation

District where respondent stay		Occupation category		Total
		Business based	Non- business based	
Baling	Count	5	25	30
	% within District where respondent stay	16.7%	83.3%	100.0%
	% within Occop_cate	5.7%	7.8%	7.4%
Bandar Baharu	Count	1	10	11
	% within District where respondent stay	9.1%	90.9%	100.0%
	% within Occop_cate	1.1%	3.1%	2.7%
Kota Setar	Count	26	71	97
	% within District where respondent stay	26.8%	73.2%	100.0%
	% within Occop_cate	29.9%	22.3%	23.9%
Kuala Muda	Count	16	32	48
	% within District where respondent stay	33.3%	66.7%	100.0%
	% within Occop_cate	18.4%	10.0%	11.8%
Kubang Pasu	Count	13	29	42
	% within District where respondent stay	31.0%	69.0%	100.0%
	% within Occop_cate	14.9%	9.1%	10.3%
Sik	Count	3	26	29
	% within District where respondent stay	10.3%	89.7%	100.0%
	% within Occop_cate	3.4%	8.2%	7.1%
Kulim	Count	10	19	29
	% within District where respondent stay	34.5%	65.5%	100.0%
	% within Occop_cate	11.5%	6.0%	7.1%
Padang Terap	Count	4	24	28
	% within District where respondent stay	14.3%	85.7%	100.0%
	% within Occop_cate	4.6%	7.5%	6.9%
Pendang	Count	0	34	34
	% within District where respondent stay	.0%	100.0%	100.0%
	% within Occop_cate	.0%	10.7%	8.4%
Yan	Count	2	31	33
	% within District where respondent stay	6.1%	93.9%	100.0%
	% within Occop_cate	2.3%	9.7%	8.1%
Langkawi	Count	7	18	25
	% within District where respondent stay	28.0%	72.0%	100.0%
	% within Occop_cate	8.0%	5.6%	6.2%

Total	Count	87	319	406
	% within District where respondent stay	21.4%	78.6%	100.0%
	% within Occop_cate	100.0%	100.0%	100.0%

Table: Cross-tabulation of Occupation of respondents according to type

Occupation		Occupation category		Total
		Business based	Non- business based	
Paddy farmer	Count	0	125	125
	% within Occupation	.0%	100.0%	100.0%
	% within Occop_cate	.0%	39.2%	30.8%
Rubber tapper	Count	0	163	163
	% within Occupation	.0%	100.0%	100.0%
	% within Occop_cate	.0%	51.1%	40.1%
Small business	Count	63	0	63
	% within Occupation	100.0%	.0%	100.0%
	% within Occop_cate	72.4%	.0%	15.5%
Village manual labor	Count	6	24	30
	% within Occupation	20.0%	80.0%	100.0%
	% within Occop_cate	6.9%	7.5%	7.4%
Others	Count	18	7	25
	% within Occupation	72.0%	28.0%	100.0%
	% within Occop_cate	20.7%	2.2%	6.2%
Total	Count	87	319	406
	% within Occupation	21.4%	78.6%	100.0%
	% within Occop_cate	100.0%	100.0%	100.0%

Table: Income according to poverty level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <RM 415	387	95.3	95.3	95.3
RM 415-RM 690	18	4.4	4.4	99.8
>RM 690	1	.2	.2	100.0
Total	406	100.0	100.0	

Table: Cross-tabulation of district where respondent stay by income category

District where respondent stay		Income according to poverty level			Total
		<RM 415	RM 415-RM 690	>RM 691	
Baling	Count	30	0	0	30
	% within District where respondent stay	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	7.8%	.0%	.0%	7.4%
Bandar Baharu	Count	11	0	0	11
	% within District where respondent stay	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	2.8%	.0%	.0%	2.7%
Kota Setar	Count	89	8	0	97
	% within District where respondent stay	91.8%	8.2%	.0%	100.0%
	% within Income according to poverty level	23.0%	44.4%	.0%	23.9%
Kuala Muda	Count	44	4	0	48
	% within District where respondent stay	91.7%	8.3%	.0%	100.0%
	% within Income according to poverty level	11.4%	22.2%	.0%	11.8%
Kubang Pasu	Count	40	2	0	42
	% within District where respondent stay	95.2%	4.8%	.0%	100.0%
	% within Income according to poverty level	10.3%	11.1%	.0%	10.3%

Sik	Count	28	0	1	29
	% within District where respondent stay	96.6%	.0%	3.4%	100.0%
	% within Income according to poverty level	7.2%	.0%	100.0%	7.1%
Kulim	Count	28	1	0	29
	% within District where respondent stay	96.6%	3.4%	.0%	100.0%
	% within Income according to poverty level	7.2%	5.6%	.0%	7.1%
Padang Terap	Count	26	2	0	28
	% within District where respondent stay	92.9%	7.1%	.0%	100.0%
	% within Income according to poverty level	6.7%	11.1%	.0%	6.9%
Pendang	Count	34	0	0	34
	% within District where respondent stay	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	8.8%	.0%	.0%	8.4%
Yan	Count	33	0	0	33
	% within District where respondent stay	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	8.5%	.0%	.0%	8.1%
Langkawi	Count	24	1	0	25
	% within District where respondent stay	96.0%	4.0%	.0%	100.0%
	% within Income according to poverty level	6.2%	5.6%	.0%	6.2%
Total	Count	387	18	1	406
	% within District where respondent stay	95.3%	4.4%	.2%	100.0%
	% within Income according to poverty level	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of gender by income category

Sex		Income according to poverty level			Total
		<RM 415	RM 415-RM 690	>RM 691	
Male	Count	190	12	0	202
	% within Sex	94.1%	5.9%	.0%	100.0%
	% within Income according to poverty level	49.1%	66.7%	.0%	49.8%
Female	Count	197	6	1	204
	% within Sex	96.6%	2.9%	.5%	100.0%
	% within Income according to poverty level	50.9%	33.3%	100.0%	50.2%
Total	Count	387	18	1	406
	% within Sex	95.3%	4.4%	.2%	100.0%
	% within Income according to poverty level	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of age category by income category

Age category		Income according to poverty level			Total
		<RM 415	RM 415-RM 690	>RM 691	
< 35 years old	Count	8	0	0	8
	% within Age category	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	2.1%	.0%	.0%	2.0%
35-45 years old	Count	117	5	1	123
	% within Age category	95.1%	4.1%	.8%	100.0%
	% within Income according to poverty level	30.2%	27.8%	100.0%	30.3%
46-55 years old	Count	246	13	0	259
	% within Age category	95.0%	5.0%	.0%	100.0%
	% within Income according to poverty level	63.6%	72.2%	.0%	63.8%

> 55 years old	level				
	Count	16	0	0	16
	% within Age category	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	4.1%	.0%	.0%	3.9%
Total	Count	387	18	1	406
	% within Age category	95.3%	4.4%	.2%	100.0%
	% within Income according to poverty level	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of marital status by income category

Marital status		Income according to poverty level			Total
		<RM 415	RM 415-RM 690	>RM 691	
Single	Count	37	4	0	41
	% within Marital status	90.2%	9.8%	.0%	100.0%
	% within Income according to poverty level	9.6%	22.2%	.0%	10.1%
Married	Count	193	9	1	203
	% within Marital status	95.1%	4.4%	.5%	100.0%
	% within Income according to poverty level	49.9%	50.0%	100.0%	50.0%
Widow	Count	157	5	0	162
	% within Marital status	96.9%	3.1%	.0%	100.0%
	% within Income according to poverty level	40.6%	27.8%	.0%	39.9%
Total	Count	387	18	1	406
	% within Marital status	95.3%	4.4%	.2%	100.0%
	% within Income according to poverty level	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of education level by income category

Education level		Income according to poverty level			Total
		<RM 415	RM 415-RM 690	>RM 691	
No schooling	Count	270	13	0	283
	% within Education level	95.4%	4.6%	.0%	100.0%
	% within Income according to poverty level	69.8%	72.2%	.0%	69.7%
Primary School	Count	63	2	0	65
	% within Education level	96.9%	3.1%	.0%	100.0%
	% within Income according to poverty level	16.3%	11.1%	.0%	16.0%
Secondary school (form 3)	Count	40	3	0	43
	% within Education level	93.0%	7.0%	.0%	100.0%
	% within Income according to poverty level	10.3%	16.7%	.0%	10.6%
Secondary school (form 5)	Count	14	0	1	15
	% within Education level	93.3%	.0%	6.7%	100.0%
	% within Income according to poverty level	3.6%	.0%	100.0%	3.7%
Total	Count	387	18	1	406
	% within Education level	95.3%	4.4%	.2%	100.0%
	% within Income according to poverty level	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of occupation category by income category

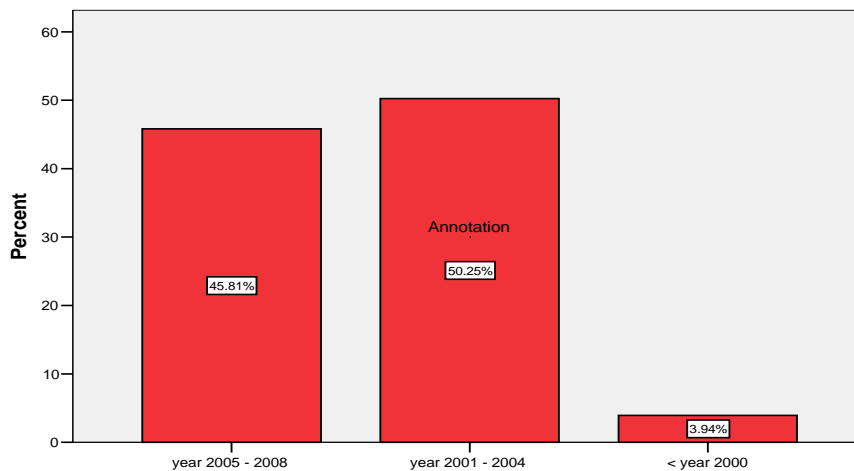
occupation category		Income according to poverty level			Total
		<RM 415	RM 415-RM 690	>RM 691	
Business based	Count	77	9	1	87
	% within Occop_cate	88.5%	10.3%	1.1%	100.0%

Non-business based	% within Income according to poverty level	19.9%	50.0%	100.0%	21.4%
	Count	310	9	0	319
Total	% within Occop_cate	97.2%	2.8%	.0%	100.0%
	% within Income according to poverty level	80.1%	50.0%	.0%	78.6%
	Count	387	18	1	406
	% within Occop_cate	95.3%	4.4%	.2%	100.0%
	% within Income according to poverty level	100.0%	100.0%	100.0%	100.0%

Table: Category of year received zakat

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid < year 2000	16	3.9	3.9	100.0
year 2001 - 2004	204	50.2	50.2	96.1
year 2005 - 2008	186	45.8	45.8	45.8
Total	406	100.0	100.0	

Category of year received zakat

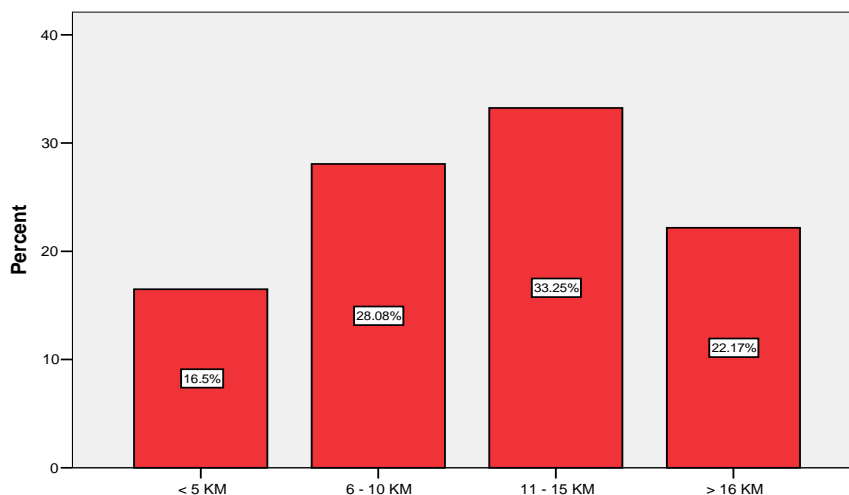


Category of year received zakat

Table: Distance category

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid < 5 KM	67	16.5	16.5	16.5
6 - 10 KM	114	28.1	28.1	44.6
11 - 15 KM	135	33.3	33.3	77.8
> 16 KM	90	22.2	22.2	100.0
Total	406	100.0	100.0	

Distance category



Distance category

Table: Cross-tabulation of the year respondents receive zakat with income level

Number of year received zakat		Income according to poverty level			Total
		<RM 415	RM 415-RM 690	>RM 691	
1	Count	25	0	0	25
	% within Number of year received zakat	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	6.5%	.0%	.0%	6.2%
2	Count	67	0	0	67
	% within Number of year received zakat	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	17.3%	.0%	.0%	16.5%
3	Count	88	6	0	94
	% within Number of year received zakat	93.6%	6.4%	.0%	100.0%
	% within Income according to poverty level	22.7%	33.3%	.0%	23.2%
4	Count	77	4	1	82
	% within Number of year received zakat	93.9%	4.9%	1.2%	100.0%
	% within Income according to poverty level	19.9%	22.2%	100.0%	20.2%
5	Count	39	3	0	42
	% within Number of year received zakat	92.9%	7.1%	.0%	100.0%
	% within Income according to poverty level	10.1%	16.7%	.0%	10.3%
6	Count	34	5	0	39
	% within Number of year received zakat	87.2%	12.8%	.0%	100.0%
	% within Income according to poverty level	8.8%	27.8%	.0%	9.6%
7	Count	16	0	0	16
	% within Number of year received zakat	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	4.1%	.0%	.0%	3.9%
8	Count	25	0	0	25
	% within Number of year received zakat	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	6.5%	.0%	.0%	6.2%
9	Count	7	0	0	7
	% within Number of year received zakat	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	1.8%	.0%	.0%	1.7%
10	Count	3	0	0	3
	% within Number of year received zakat	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	.8%	.0%	.0%	.7%
11	Count	4	0	0	4
	% within Number of year received zakat	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	1.0%	.0%	.0%	1.0%
12	Count	2	0	0	2
	% within Number of year received zakat	100.0%	.0%	.0%	100.0%
	% within Income according to poverty level	.5%	.0%	.0%	.5%
Total	Count	387	18	1	406
	% within Number of year received zakat	95.3%	4.4%	.2%	100.0%
	% within Income according to poverty level	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation of the year respondents receive zakat with distance from the KDoZ office

Distance category		Income according to poverty level			Total
		<RM 415	RM 415-RM 690	>RM 691	
< 5 KM	Count	64	2	1	67
	% within Distance category	95.5%	3.0%	1.5%	100.0%

6 - 10 KM	% within Income according to poverty level	16.5%	11.1%	100.0%	16.5%
	Count	110	4	0	114
11 - 15 KM	% within Distance category	96.5%	3.5%	.0%	100.0%
	% within Income according to poverty level	28.4%	22.2%	.0%	28.1%
> 16 KM	Count	127	8	0	135
	% within Distance category	94.1%	5.9%	.0%	100.0%
Total	% within Income according to poverty level	32.8%	44.4%	.0%	33.3%
	Count	86	4	0	90
Total	% within Distance category	95.6%	4.4%	.0%	100.0%
	% within Income according to poverty level	22.2%	22.2%	.0%	22.2%
Total	Count	387	18	1	406
	% within Distance category	95.3%	4.4%	.2%	100.0%
Total	% within Income according to poverty level	100.0%	100.0%	100.0%	100.0%

Table: Respondents' awareness of the SHS programme

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	364	89.7	89.7	89.7
Yes	42	10.3	10.3	100.0
Total	406	100.0	100.0	

Table: Crosstabulation between awareness and application for SHS assistance

Do you aware about SHS programme		Have you ever applied for SHS?		Total
		Yes	No	
Yes	Count	42		42
	% within Do you aware about SHS programme	100.0%		100.0%
	% within Have you ever applied for SHS?	100.0%		100.0%
Total	Count	42		42
	% within Do you aware about SHS programme	100.0%		100.0%
	% within Have you ever applied for SHS?	100.0%		100.0%

Table: Crosstabulation between awareness and district collection

Do you aware about SHS programme		District collection		Total
		low	High	
No	Count	260	104	364
	% within Do you aware about SHS programme	71.4%	28.6%	100.0%
	% within District collection	99.6%	71.7%	89.7%
Yes	Count	1	41	42
	% within Do you aware about SHS programme	2.4%	97.6%	100.0%
	% within District collection	.4%	28.3%	10.3%
Total	Count	261	145	406
	% within Do you aware about SHS programme	64.3%	35.7%	100.0%
	% within District collection	100.0%	100.0%	100.0%

Table: Chi-Square tests for respondents' awareness towards SHS programme with rate of district *zakat* collection

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	78.193(b)	1	.000		
Continuity Correction(a)	75.214	1	.000		
Likelihood Ratio	84.235	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	78.000	1	.000		
N of Valid Cases	406				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.00.

Table: Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.439	.000
Cramer's V	.439	.000

N of Valid Cases	406
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- a Not assuming the null hypothesis.
b Using the asymptotic standard error assuming the null hypothesis.

Table: Crosstabulation between awareness and occupation category

Do you aware about SHS programme		occupation category		Total
		Business based	Non- business based	
No	Count	73	291	364
	% within Do you aware about SHS programme	20.1%	79.9%	100.0%
	% within Occop_cate	83.9%	91.2%	89.7%
Yes	Count	14	28	42
	% within Do you aware about SHS programme	33.3%	66.7%	100.0%
	% within Occop_cate	16.1%	8.8%	10.3%
Total	Count	87	319	406
	% within Do you aware about SHS programme	21.4%	78.6%	100.0%
	% within Occop_cate	100.0%	100.0%	100.0%

Table: Chi-Square Tests for Respondents' Awareness towards SHS programme by Occupations

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	3.943(b)	1	.047		
Continuity Correction(a)	3.194	1	.074		
Likelihood Ratio	3.585	1	.058		
Fisher's Exact Test				.071	.041
Linear-by-Linear Association	3.934	1	.047		
N of Valid Cases	406				

- a Computed only for a 2x2 table
b 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.00.

Table: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-.099	.047
	Cramer's V	.099	.047
N of Valid Cases		406	

- a Not assuming the null hypothesis.
b Using the asymptotic standard error assuming the null hypothesis.

Table: Crosstabulation between awareness with the number of years receiving the zakat

Do you aware about SHS programme		Category of year received zakat			Total
		< year 2000	year 2001 - 2004	year 2005 - 2008	
No	Count	16	204	144	364
	% within Do you aware about SHS programme	4.4%	56.0%	39.6%	100.0%
	% within Category of year received zakat	100.0%	100.0%	77.4%	89.7%
Yes	Count	0	0	42	42
	% within Do you aware about SHS programme	.0%	.0%	100.0%	100.0%
	% within Category of year received zakat	.0%	.0%	22.6%	10.3%
Total	Count	186	16	16	186
	% within Do you aware about SHS programme	45.8%	3.9%	3.9%	45.8%
	% within Category of year received zakat	100.0%	100.0%	100.0%	100.0%

Table: Chi-Square Tests for Respondents' Awareness towards SHS programme with the number of years receiving the zakat

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	55.409(a)	2	.000
Likelihood Ratio	71.359	2	.000

Linear-by-Linear Association	49.004	1	.000
N of Valid Cases	406		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 1.66.

Table: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.369	.000
	Cramer's V	.369	.000
N of Valid Cases		406	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Table: Spearman Rho test for Respondents' Awareness towards SHS programme with Respondents' House Distance from KDoZ office

			Do you aware about SHS programme	Distance category
Spearman's rho	Do you aware about SHS programme	Correlation Coefficient	1.000	-.191(**)
		Sig. (2-tailed)	.	.000
		N	406	406
	Distance category	Correlation Coefficient	-.191(**)	1.000
		Sig. (2-tailed)	.000	.
		N	406	406

** Correlation is significant at the 0.01 level (2-tailed).

Table: Crosstabulation between discussions with the imam

Do you aware about SHS programme		Ever Meet Imam		Total
		No	Yes	
No	Count	303	61	364
	% within Do you aware about SHS programme	83.2%	16.8%	100.0%
	% within Ever Meet Imam	89.6%	89.7%	89.7%
Yes	Count	35	7	42
	% within Do you aware about SHS programme	83.3%	16.7%	100.0%
	% within Ever Meet Imam	10.4%	10.3%	10.3%
Total	Count	338	68	338
	% within Do you aware about SHS programme	83.3%	16.7%	83.3%
	% within Ever Meet Imam	100.0%	100.0%	100.0%

Table: Chi-Square Tests for Respondents' Awareness towards SHS programme with respondents' discussions with the imam

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.000(b)	1	.988		
Continuity Correction(a)	.000	1	1.000		
Likelihood Ratio	.000	1	.988		
Fisher's Exact Test				1.000	.595
Linear-by-Linear Association	.000	1	.988		
N of Valid Cases	406				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.03.

Table: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-.001	.988
	Cramer's V	.001	.988

N of Valid Cases	406
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- a Not assuming the null hypothesis.
b Using the asymptotic standard error assuming the null hypothesis.

Table: Inclination towards applying the SHS Interested apply SHS

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not interested	81	20.0	20.0	20.0
Interested	325	80.0	80.0	100.0
Total	406	100.0	100.0	

Table: Cross-tabulation between inclination Towards Applying SHS with respondents' age

	Interested apply SHS		Total
	Interested	Not interested	
Age category < 35 years old	8	0	8
35-45 years old	115	8	123
46-55 years old	196	63	259
> 56 years old	6	10	16
Total	81	325	81

Table: Chi-Square tests for respondents' inclination towards applying SHS with respondents' age

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37.160(a)	3	.000
Likelihood Ratio	38.029	3	.000
Linear-by-Linear Association	32.896	1	.000
N of Valid Cases	406		

a 2 cells (25.0%) have expected count less than 5. The minimum expected count is 1.60.

Table: Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.303	.000
Cramer's V	.303	.000
N of Valid Cases	406	

- a Not assuming the null hypothesis.
b Using the asymptotic standard error assuming the null hypothesis.

Table: Respondents' inclination towards joining the business sector according to occupation

Interested economic sector to involve	Occupation					Total
	Paddy farmer	Rubber tapper	Small business	Village manual labor	Others	
small business (retail, restaurant, market, etc)	Count 88	123	53	14	10	288
% within Interested economic sector to involve	30.6%	42.7%	18.4%	4.9%	3.5%	100.0%
% within Occupation	95.7%	95.3%	93.0%	48.3%	55.6%	88.6%
wholesale	Count 0	3	0	2	0	5
% within Interested economic sector to involve	.0%	60.0%	.0%	40.0%	.0%	100.0%
% within Occupation	.0%	2.3%	.0%	6.9%	.0%	1.5%
modern agriculture	Count 2	3	4	2	1	12
% within	16.7%	25.0%	33.3%	16.7%	8.3%	100.0%

transportation	Interested economic sector to involve						
	% within Occupation	2.2%	2.3%	7.0%	6.9%	5.6%	3.7%
	Count	1	0	0	3	5	9
contractor	Interested economic sector to involve	11.1%	.0%	.0%	33.3%	55.6%	100.0%
	% within Occupation	1.1%	.0%	.0%	10.3%	27.8%	2.8%
	Count	1	0	0	8	2	11
Total	Interested economic sector to involve	9.1%	.0%	.0%	72.7%	18.2%	100.0%
	% within Occupation	1.1%	.0%	.0%	27.6%	11.1%	3.4%
	Count	92	129	57	29	18	325
	Interested economic sector to involve	28.3%	39.7%	17.5%	8.9%	5.5%	100.0%
	% within Occupation	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation between preferences in economic sector with sufficient capital

Interested economic sector to involve	Sufficient capital to start and sustained		Total	
	MYR 6,000 to MYR 9,999	> MYR 10,000		
small business (retail, restaurant, market, etc)	Count	2	285	287
	% within Interested economic sector to involve	.7%	99.3%	100.0%
	% within Sufficient capital to start and sustained	28.6%	89.9%	88.6%
wholesale	Count	0	5	5
	% within Interested economic sector to involve	.0%	100.0%	100.0%
	% within Sufficient capital to start and sustained	.0%	1.6%	1.5%
modern agriculture	Count	0	12	12
	% within Interested economic sector to involve	.0%	100.0%	100.0%
	% within Sufficient capital to start and sustained	.0%	3.8%	3.7%
transportation	Count	0	9	9
	% within Interested economic sector to involve	.0%	100.0%	100.0%
	% within Sufficient capital to start and sustained	.0%	2.8%	2.8%
contractor	Count	5	6	11
	% within Interested economic sector to involve	45.5%	54.5%	100.0%
	% within Sufficient capital to start and sustained	71.4%	1.9%	3.4%
Total	Count	7	317	324

% within Interested economic sector to involve	2.2%	97.8%	100.0%
% within Sufficient capital to start and sustained	100.0%	100.0%	100.0%

Table: Cross-tabulation between Respondents' preferences to become involved in their current economic sector in another location with their occupation

Interest to work as same as exiting job in other places	Occupation					Total	
	Paddy farmer	Rubber tapper	Small business	Village manual labor	Others		
No	Count	20	21	4	1	6	52
	% within Interest to work as same as exiting job in other places	38.5%	40.4%	7.7%	1.9%	11.5%	100.0%
	% within Occupation	60.6%	61.8%	66.7%	100.0%	85.7%	64.2%
Yes	Count	13	13	2	0	1	29
	% within Interest to work as same as exiting job in other places	44.8%	44.8%	6.9%	.0%	3.4%	100.0%
	% within Occupation	39.4%	38.2%	33.3%	.0%	14.3%	35.8%
Total	Count	33	34	6	1	7	81
	% within Interest to work as same as exiting job in other places	40.7%	42.0%	7.4%	1.2%	8.6%	100.0%
	% within Occupation	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table: Cross-tabulation between respondents' preference to attend training with occupation

Interest to attend training	Occupation					Total		
	Paddy farmer	Rubber tapper	Small business	Village manual labor	Others			
No	Count	16	5	3	0	2	26	
	% within Interest to attend training	61.5%	19.2%	11.5%	.0%	7.7%	100.0%	
	% within Occupation	48.5%	14.7%	50.0%	.0%	28.6%	32.1%	
No	Comment	Count	4	10	0	0	4	18
	% within Interest to attend training	22.2%	55.6%	.0%	.0%	22.2%	100.0%	
	% within Occupation	12.1%	29.4%	.0%	.0%	57.1%	22.2%	
Yes	Count	13	19	3	1	1	37	
	% within Interest to attend training	35.1%	51.4%	8.1%	2.7%	2.7%	100.0%	
	% within Occupation	39.4%	55.9%	50.0%	100.0%	14.3%	45.7%	
Total	Count	33	34	6	1	7	81	
	% within Interest to attend training	40.7%	42.0%	7.4%	1.2%	8.6%	100.0%	
	% within Occupation	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Table: Motivators of inclination towards applying SHS - Existing zakat assistance

Existing zakat assistance is not enough for capital	Existing zakat assistance only adequate for the basic needs	Existing zakat assistance not enough to help me escape from poverty.	Do not interested received assistance for life.	I want to change status from receiver to be zakat payer
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N Valid	325	325	324	322	325
Missing	81	81	82	84	81
Mean	4.64	4.41	3.56	3.99	4.40
Std. Deviation	.591	.546	.924	.793	.720

Table: Motivators of inclination towards applying SHS - Existing income factor

	Current income only enough for basic needs	Current income not enough for better life	Current income could not escape from poverty
N Valid	325	325	325
Missing	81	81	81
Mean	4.11	3.55	4.06
Std. Deviation	.670	.889	.508

Table: Motivators of inclination towards applying SHS - Existing job

	My current job is not promising	No other jobs opportunity in my area	I want to work independently	Current job is not suitable with my health and age	Need part-time job to increase my income
N Valid	325	325	325	325	325
Missing	81	81	81	81	81
Mean	3.32	3.94	3.46	3.69	3.80
Std. Deviation	.934	.901	.873	.710	.646

Table: Motivators of inclination towards applying SHS - Opportunity

		Seen many opportunities of economy activities	Have skills that are potentially to be developed	Family members have skills that are potentially to be developed	My current job has the potential to be improved by provided enough capital
N	Valid Missing	325 81	325 81	325 81	325 81
Mean		3.12	3.00	2.19	1.51
Std. Deviation		.510	.908	.970	.575

Table: Motivators of inclination towards applying SHS - Motivation

		Able to take the risk for leaving current job	Have friends that are succeed after receiving the economic assistance	Support from other Government agencies	If failed, I will get support from my friend and families	Sufficient economic assistance will increase my family income	Give a better education to my children	Provide comfortable house for my family
N	Valid Missing	325 81	325 81	325 81	325 81	325 81	325 81	325 81
Mean		1.18	1.24	3.64	2.17	3.58	1.61	3.06
Std. Deviation		.412	.650	.884	.601	.992	.627	.921

Table: Motivators of inclination towards applying SHS - Constraints

		Have no critical health problems	Have no family members that need full attention	Have no problem with transportation
N	Valid Missing	325 81	325 81	325 81
Mean		3.54	1.58	1.31
Std. Deviation		.862	.684	.720

Table: Mean score for each motivations factors

		Existing Zakat Assistance	Existing Income Factor	Existing Job	Opportunity	Motivation	Constraints
N	Valid Missing	325 81	325 81	325 81	325 81	325 81	325 81
Mean		4.2005	3.9077	3.5889	2.3938	2.3004	2.6723
Std. Deviation		.43073	.38090	.46335	.56612	.39370	0.48620

Table: Constraints in applying for SHS - Existing zakat assistance

		Existing zakat assistance can help me escape from poverty	Existing zakat assistance enough for our needs	Existing zakat assistance less risk than capital assistance	I will received existing zakat assistance for life compare to capital assistance	Existing zakat assistance is the best compare to others
N	Valid Missing	81 325	81 325	81 325	81 325	81 325
Mean		1.75	2.46	3.70	3.83	3.73

Std. Deviation	.929	.975	.901	.587	.881
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Table: Constraints in applying for SHS - Existing income

	The amount of my current income is adequate	My current income has dragged me out from the poverty state	My current job is promising
N Valid	81	81	81
Missing	325	325	325
Mean	2.05	2.16	2.43
Std. Deviation	.568	.432	.987

Table: Constraints in applying for SHS - Economic activity

	Less economic activity opportunity in my place	There is no suitable economy activity for me yet	Profit from the economy activity is slow	The income from economy activity is not guaranteed
N Valid	81	81	81	81
Missing	325	325	325	325
Mean	3.65	3.75	4.25	3.74
Std. Deviation	.911	.623	.681	.441

Table: Constraints in applying for SHS - Lack of Motivation

	Do not want to take the risk leaving current job	My friends become more struggling after receiving the capital assistance	Profit from the economy activity is slow	There is no receiver who received the capital assistance succeed in my area	If failed, i am not sure my family and friend will help me	I able to give better education to my children	My current house is already comfortable
N Valid	81	81	81	81	81	81	81
Missing	325	325	325	325	325	325	325
Mean	3.73	3.11	4.00	3.84	3.99	2.78	2.62
Std. Deviation	.613	.316	.548	.432	.661	.962	.644

Table: Constraints in applying for SHS - Constraints

		I have health problem	I have family members that need full attention	I have transportation problem
N Valid	81	81	81	81
Missing	325	325	325	325
Mean	2.06	2.67	2.41	
Std. Deviation	.827	.758	.985	

APPENDIX 'C'

INTERVIEW GUIDE: QUESTIONS

Introduction

I am a PhD candidate from the University of Edinburgh, Scotland. UK. This interview is a requirement for my research thesis. My research topic is related to the need for zakat in developing entrepreneurs among the poor population involved in the rural agriculture sector. I have chosen KDoZ for detailed investigation of the topic. For that reason, your willingness to participate in this interview is deeply appreciated. All information will be kept confidential and will be used solely for this research.

Opening Questions

1. Can you please relate your experience working with KDoZ
2. What are the advantages that the KDoZ has over other Baitulmals in Malaysia?

Introduction Questions

1. What is the concept used in assisting the able poor through zakat distribution?
2. Are the baitulmals in Malaysia capable of developing entrepreneurs from among the zakat receivers?

Transition Questions

1. When was the capital assistance programme initiated by the KDoZ?
2. How is the distribution of zakat funds done by the KDoZ? Are you satisfied with the methods?

Key Questions

- a) List of questions for research question 1
 1. How is the SHS assistance promoted? Why is the promotional method used for SHS? Why is the SHS assistance not widely promoted?
 2. Why is the majority of the SHS receivers from Kota Setar?
 3. Why is the average assistance amount only RM3000? From your point of view, is the amount sufficient to develop entrepreneurs from among the zakat receivers?
 4. Why is the SHS assistance not given directly to the able poor?

b) List of questions for research question 2:

1. Why does the KDoZ invest in properties? Which asbab is used for the funding of the property investments? What are the forms of investments allowed by the zakat committee?
2. Why is there a lack of property investments by the KDoZ which can generate work opportunities for the poor?

c) List of questions for research question 3:

1. Do you think cooperation between the KDoZ and other rural agencies necessary?
2. Why is there currently no cooperation between KDoZ and other rural agencies?
3. How should the cooperation between KDoZ and other rural agencies be carried out in the future?

Concluding Questions

1. Will KDoZ be capable of developing entrepreneurs from among zakat receivers in the future?
2. Are you willing to give further explanation regarding the previous questions?

Thank you very much. Your cooperation is highly appreciated.

APPENDIX 'D'

Interview Response

CM1	<p><i>“ the poor don't know about SHS because have no economic project in villages to show the DoZK offered the capital”.</i></p>
	<p>verbal approaches are better than promotion through electronics and publishes medium</p>
	<p><i>“we have only a small number of staff, we do not have much time to carry out the promotions, we are also have difficulties in performing the office's task”.</i></p>
	<p><i>Imam</i> as DoZK representative in the grassroot level, negative perspective are lessen as <i>Imam</i> was selected by the local people</p>
	<p><i>Imam</i> helps to spread the SHS information by pasting brochure in <i>Masjid</i> and announce them particularly before the <i>Friday</i></p>
	<p>SHS promotion should not be widely spread out, as the poor usually take advantage to beg for the given assistance.</p>
	<p><i>“They will continuously come to the zakat office begging for their application to be approved for tha zakat assistance aid (translated)”.</i></p>
	<p><i>“This method of providing business capital assistance to them (AMA recipients) is not viable as the zakat money is not enough to bear the costs(translated)”</i></p>
	<p><i>“Our approach concentrates more on assistanship since the accumulation of zakat collection is relatively small. Therefore if there is any of the poors whom already start a business, we would be really glad to help (translated)”.</i></p>
<p><i>“Actually SHS wants to help, that is why the total that we can give is only about MYR 1,000 – 2,000. We (DoZK) just can help (translated)”.</i></p>	
<p><i>“We don't provide this assistance to AMA recipients because they are not involved in business activities at all. The land owners pay them for their work at the paddy fields and rubber estates (translated)”.</i></p>	
<p><i>“Their income is around RM 300 per month. Thus, we helped them in a way by lessening their financial burden. Our AMA approach is to aid the poor people for preparation of Ramadhan and Hari Raya. We helped them by giving RM 300 to RM400</i></p>	
<p><i>“SHS is not suitable for AMA recipients although they are interested and skilled. They have to focus only on business and pour their resources and time into it if</i></p>	

we give them the capital assistance. However if they fail in this economic activity, they would be worse off than before. So that is why SHS should not be given (translated)”.

“The distribution of zakat depends on the performance of the zakat collection from each district. If the collection is rather low, then how can we want to distribute the capital assistance The money has been spent for financial assistance. In addition, we have to acquire zakat from those districts with high zakat collection (Alor Setar and Kuala Muda) that is a bonus for the poor in the low zakat collection district (translated)”.

“ In the case of Alor Setar, we are required to find people who are in businesses to be given capital assistance, we shall give as this is the area with the highest zakat collection. Thus to tone down the complaints by the zakat payers, we are obliged to search for candidates to receive this assistance (translated)”.

“The paddy zakat collection has reduced but they still want our assistance. How can we provide them assistance if the collection in their area is rather mall?(translated)”.

“We are not able to distribute the zakat assistance due to our limited staff. The office would be in shambles if we go down to villages and rural areas, so we are caught in the middle of this situation (translated)”.

”Every year we table to committee for enrollment of more staff but other committee members reluctant to do so because enrollment of new staff might increase the expenses of asnab bigger than 1/8. We (committee) have to respond for this matter if the Sultan inquires us”

“ As if we don’t want to give the assistance(SHS) to AMA recipient .or want to make any plan but there are so many people(previous SHS recipients) that we have gave them, didn’t do well (translated)”

“If we help them countless of times they would still find it difficult to succeed as the zakat funds is not that much. So, losses would occur (translated)”.

“We can give assistance of more than RM 6,000 as we do not have any limits. There are recipients who received boats priced more than RM 6,000. Nevertheless, we have to examine the recipient if the recipient is hardworking and we are confident about it. Then, we assist them although many of them failed in the end. That is why we have reduced the amount of assistance...that is less than RM 2,000 (translated)”.

“This poor community sometimes have big dreams, some would want to open a grocery shop at their home. Thus, they want to enlarge their house. Some sell stuff on their motorbikes but now wants to do business at the wet market. The

capital required is not small at least more than RM 10,000. The top management fear to give them assistance...the fear of their failure (translated)".

"if the (SHS recipients) fail, they would come back to DoZK to ask for other monetary assistance. If this is the situation, then it is better they be given money instead (translated)".

" the poor don't know about SHS because have no economic project in villages to show the DoZK offered the capital".

" other zakat agencies were surprised on how we can buy property and rent it to the poor group. Coincidentally for that time...in 60s and 70s many malay people wanted to sell their land because of loan and heritage division(translated)".

"They (tenants) can even pay us although we have set the rent at MYR 700 to RM800 per year for one relong".

"The rent collected would be used to pay the land tax as DoZK has no budget to pay for the land tax".

"If the tenant difficult to pay the rental, we think to rent it to other people. We already discussed with MADA and seem that they are agreed"

"A lot of our land tenants (paddy fields), did not pay zakat and their excuse is that their paddy does not reach the prescribed nisab (standards) as they plant paddy like the old days".

"if we want to get more in return, we have to use the plantation system then only we'll get a lot of revenue. That is why we want to give to MADA because they plant paddy in a modern way of plantation so the cultivation is good, then they would pay zakat to us in the same time we will also get to collect land rent".

"We developed this building (HQ) on that site.. The building consists of eleven floors, three of which are occupied by the DoZK and the remaining office spaces are rented to the Department of Employees Provident Funds, the Department of Housing, the Department of the Environment, the Department of Evaluation, and the Ministry of Education. Other facilities include a conference room and a banqueting hall, which rented to the public. So we can use the revenue of rentals to help the poor group (translated)".

"now almost all district has their own office building...except for one or two district...we don't have to be tenants anymore...for the double story building we bought, we rent the ground floor to government and private agencies..we can set high rental price...and our tenants pays our rent on time....if we let the poor rent our commercial properties...we do not they if they could afford it"

“The newest is JZK is planning to buy land near its present head office, which would cost RM4 million, and would be developed as a chargeable car park...the profit from this development would increase the zakat collected and it would also be used for the beneficiaries, particularly faqir and poor.”

“The effectiveness of poverty reduction approach required projects such as FELDA programme (translated)”

“We have to understand zakat collection is not only to reduce the poverty but also to share it with other asnab if we get 50,000 per year divide it into 8, how many we can get. That’s why difficult to conduct economic activity (translated)”.

“For the meantime, I don’t think that the DoZK could play an effective role in curing poverty. Instead, government should take responsible to this matter. The effectiveness of poverty reduction approach required projects such as FELDA programme which can be done by government because they have money (translated)”.

“The rental money we’ve collected would be given back to the asnab for the poor...in the end the poor would gain its benefits.”

“Head of Shariah Committee in DoZK is not well verse in Islamic laws and management, including zakat, he’s qualification is in ‘lughah’(arabic language) but people still listen what he says.”

“The community has a negative perception towards government agencies because the assistance will only be given to the BN supporters. For example, the PPRT program organized by District Office, the assistance will only be given to the BN’s supporters. Those who support BN will get the assistance through the program. The community already has the perception that all the government agencies are the BN’s supporters. We do not want the perception of DoKZ is one of the ruling party’s agency exists. Therefore, I always highlighted in my talk that DoZK is administered directly by the Sultan, not the ruling’s party (translated)”

“If there is a perception that DoZK cooperates with any government’s agencies, they (zakat’s payers) will not pay the zakat to DoZK (translated)”.

“We appoint imam to help zakat’s district officer to identify the poor to be given the assistance. The community trust imam as a good person. Therefore, he will act fairly in determining the qualified person (the poor) without considering political views (translated)”.

“During the official zakat handing ceremony, we do not ask politicians to

	<p>distribute it. Only Sultan or Zakat's officer can distribute it. If the politicians handing it (zakat), there will be a negative perspective towards DoZK (translated)".</p> <p>"SHS is given to those who have already started the economic activities, they are already advanced in their field. So, no need for training or course. But if the project is in large scale, there might be needed for training and courses, therefore the project will require collaboration with them (rural agencies) (translated)."</p> <p>"Other agencies also less successful in the economic program implemented, so how to make the collaboration?(translated)".</p> <p>"The goverment also unable to help the poor. Government gives house through PPRT program so they will not worry about their safety, so that they can work hard. But instead, the poor kept asking for more (translated)".</p> <p><i>"...Based on the current ability, financial assistance to the poor is adequate."</i></p> <p>"Surely we know that they receive other assistance from other agencies, but we just do not really mind about it. What important is that they are poor and in need (translated)".</p>
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CM2	<p>verbal approaches are better than promotion through electronics and publishes medium</p>
	<p><i>"It is hard to implement this scheme as the money is just not enough"</i>.</p>
	<p>"We do hire staff but not in large numbers, if we have mass recruitment, the expenses of the ashab amil would increase. The public would not understand the fact that we depend solely on the ashab money for administration, thus, when there is more expenditure (ashab expenditure) the public would complain, then, we have to face the Sultan to explain the matter...this is difficult work (translated)".</p>
	<p>" We (zakat committee) will plan towards that vision in the future..due to limited funds, we cannot execute it now".</p>
	<p>"That is the old method (acquiring paddy fields). Time has changes. We have to invest in better sectors such as acquiring office buildings and shops".</p>
	<p>"the zakat money is not that much. The total amount of that we have to divide into eight parts, thus it is not enough to execute projects (translated)".</p>

CM3	<p>verbal approaches are better than promotion through electronics and publishes medium</p>
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	<p>“they are not skilled in zakat management matters although they are religious. Being religious does not mean they have vast knowledge on zakat. There is this person (Majid) who sits in Kedah Zakat Committee (JZK) who is not an expert in the administration and laws of Islam includes zakat. He is just a graduate in Arabic language but it seems everyone listens to him (translated)”</p>
	<p>“I have experience in zakat management in JAWI, most of my idea were taken in JAWI, im not just bluffing because my PhD is from Al-azhar, but this people not just does not have skill but also does not want to accept other people suggestion (translated)”.</p>
	<p><i>“Chairman of DoZK is a senior state government among KCS, he was not working full time, he only come a few times a year to hold meetings (translated)”.</i></p>
	<p>“If you (head of shariah committee) put problem of failure as the reason of not doing it, it is the weakest concept of muslim. If we put it in front of us a failure, how are we going to go forward? We should try until we succeed (translated)”.</p>
	<p>““When I proposed an economic programme to them(zakat committee), they rejected it on the grounds that the risk of failure is too high (translated)”.</p>
	<p>“They (DoZK) do understand that the poor must be helped until achieving success if the recipient fails, do not cut off the assistance they should still find a way to help them and not by letting them go.”</p> <p>“Now the collection is abundant. We should move towards that approach as this year we (DoZK) must focus to search for 100 people to help them free from poverty. We can produce anything like junk food for example...(translated)”.</p> <p>“At the moment, the collection has increased, but not as much as Selangor. The current collection has already able to implement the approach. The problem is that the JKZ gives the priority to the explanation of zakat’s collection. Supposedly, JZK need to implement the project in the village and put a signage informing that the project is assisted by JZK. Eventhough we invest a hundred thousand, we are capable to get revenue of one million because the community has trusted us. If we give more assistance, the zakat’s recipients can focuss on their work and help themselves to move out from poverty. The problem with the current committee is that they did not understand the real concept of managing zakat...managing zakat is just like being entrepreneur (translated).”</p>
	<p>“when I propose an economic programme...if anything happens (failure) our staff in not enough...we would be questioned (by the Sultan)”</p> <p>“from my opinion...for all this while working with him(as mufti)....the Sultan</p>

agrees as long it fits the Syariah law and politics is not involved”

“Currently, the zakat collection has increased. We should move towards that approach (diverse economic projects) to reduce poverty. Nevertheless, let the government do it (translated)”.

“Property investments do not brings any profit to the DoZK and also to the poor group...of-course can make money from renting but the investment is not giving profit to the poor group because it is not involving them in economic activities (translated)”.

“they (zakat committee) felt that the poor would always meet with failure when cultivating the acquired lands”.

“I had asked the zakat committee; until when we have to provide monetary zakat assistance to the poor. Ten thousand in cash per year is not enough. So, I propose that we eradicate the mindset and characteristics of the poor in them.with the current zakat funds We buy estates, we buy paddy fields. The poor who are good in paddy plantation, we give them the paddy fields. We get money from zakat and they (the poor) get the work same goes with the poor who is good in palm oil plantation, we buy a palm oil estate and give them work in that estate and we build homes for them. The poor who is good in rubber plantation, we buy them rubber trees but there is no action until now (mufti)”

“I proposed to them to implement SMI programmes to help the poor. I gave that idea because when I was in Egypt, they (zakat committee of Egypt) implement SMI to help the poor that is in the 70’s if I am not mistaken. At that time I was the kadi for the district of Yan and then appointed to the DoZK but they (zakat committee) are stubborn. I am always kicked around when serving in the zakat committee (translated)”.

“I do not know what they (committee members) are doing. I just could not see any good economic project implemented (translated).”

“He is not well versed in zakat even though they are in the field but they are not deeply known about zakat (translated)”.

“They do not have the expertise. That is why collaboration with other agencies is important, such as sending the poor to attend skills (translated)”.

“I have already proposed to implement the IKS program to help the poor in 70s but some of the committee are disagreed. If we do not have the expertise, we need collaboration with other agencies. The main reason they do not want to implement it is because they do not have the interest (translated).”

<p>ZO1</p>	<p><i>“ There are information about SHS in the annually zakat report, however the information have not reach to the poor group because the reports that being prepared by us are intentionally made for zakat payers, researchers or visitors who came to DoZK office (translated).”</i></p> <p><i>“the existing promotion is ineffective, the public will know the assistance offered if we use the similar approach has been done by AIM in which they used banner or signs to promote their assistance”.</i></p>
	<p>verbal approaches are better than promotion through electronics and publishes medium</p> <p>“At our level (BJD distributor unit) there is only me, my task is more on processing the applications, preparing the trains and programmes, I’m inclined towards administration, I’m incapable to monitor the BJD recipients as well as finding the potential receivers, at meantime I’m asking help from district zakat officer to make the promotion.”</p>
	<p><i>Imam</i> helps to spread the SHS information by pasting brochure in <i>Masjid</i> and announce them particularly before the <i>Friday</i></p> <p>this method is less effective as the <i>Imam</i> have less opportunity to find the poor who are potential for promoting SHS program due to lack of time.</p>
	<p>SHS promotion should not be widely spread out, as the poor usually take advantage to beg for the given assistance</p> <p>“The poor usually have the attitude of continuously begging for assistance as they heard about the news. They are really alert about any aid and assistance that are offered and will keep asking for it. That is why we are not doing the large-scale promotion as they will definitely come again and again (translated)”.</p> <p><i>“ we (DoZK) hard to control the beggars because the DoZK have no information from other agencies”.</i></p>
	<p>“Most of these AMA recipients do not venture into businesses...their work are based on what they do, that is; driving lorries, rubber tapping and toiling at the paddy fields (translated)”.</p> <p><i>“DoZK provide assistance programmes to help the poor especially in the coming of a festivity. We give AMA during the month of fasting (Ramadhan). This is to assist them in celebrating Ramdhan and Eid as their income is just MYR 300 per month, that is why this AMA is given In addition, we also give AMA to those with a lot of children to be fed (translated)”</i></p>

	<p>“We have to search people who involved in businesses and give them the capital assistance...if we do not do that, the public will complain as the collection in Alor Setar is the highest (translated)”.</p>
	<p>“In 2004, the JZK introduced school uniform assistance to reduce the poor families’ financial burden of their children’s education. In this programme, the DoZK gives MYR3,000.00 to every school in every district. Every school, therefore, can buy the number of school uniforms required, which they distribute themselves to their poor pupils. The idea of programme to appreciate and show to the teachers that zakat paid by them is to help the poor. Furthermore many of zakat payer are come from teachers (translated).”</p>
	<p>“We are not capable of providing SHS assistance to the poor (AMA recipients). We are lacking in manpower and we cannot increase the manpower because the zakat funds are just not enough. This is why we are different from other zakat agencies because our administration costs depends much on zakat collection that is 1/8 of the collection whereas zakat agencies in other states receive some help from their respective state governments”</p>
	<p>“There is poor people who came to us asking for help we have gave them grass machine, boat, sugar cane machine and many more but after we gave the equipments to them. They didn’t manage it well. Some of them sell the equipments while others quit and still they didn’t work (translated)”.</p>
	<p><i>“The profit from the investment is also unclear... currently zakat fund for assistance of poor are from the collection.”</i></p>
	<p>“Investments must be done carefully...manpower and capital must be considered...although we have our own buildings, we do not have the staff/manpower to manage them...furthermore the money is not enough..if there is any damage we have to hire a private contractor which is costly..it is also difficult to rent our spaces...like the banquet hall...big and spacious but unattractive...the walls are not nice...the carpet is old...so people are not ver interested...if we were to replace them we do not have the money to do so...we cannot even collect rent..thus we finance the maintenance of these buildings...one at a time (translated)”</p>
	<p>“Before implementing and executing a programme, the zakat committee would consider if it would be successful. If land is given to the poor without any supervision, there would be high risk of failure because of that failure factor the zakat committee would not invest in lands for the poor.”</p>
	<p>”They just do not want to do complicated work. They are busy with their own works, so they lack of interest. When they see the documents, they held meeting regularly to give financial approval because it might involve zakat’s fund. But in SHS approach, they do not need to held meeting regularly. Because the secretary can approve assistance which less than RM 6000. Last few years the meeting</p>

	<p>only conducted 2-3 time a year...(translated)".</p> <p>"Those committee members; 70 years old and above do not agree because they are not interested in reading and analyzing the paperwork (translate)".</p> <p>"When I was presenting to the committee about an economic project, they (clerics over 70 years of age) only kept quiet and no opinion was given".</p> <p>"As referred to Selangor, the committee members is smaller than Kedah's, but the collection and its distribution of zakat is very good (translated)".</p> <p>"Chairman of DoZK is a senior state government among KCS, he was not working full time, he only come a few times a year to hold meetings (translated)".</p> <p>"I know that DoZK can vary the economy project for the poor group because I already visit baitulmal Penang and their collection is less than us (DoZK) but they manage to do it so what is our problem. They (Penang Zakat Centre) can do it because the manager has academic qualification in Islamic economy and he is also an innovative person (translated)."</p> <p>"In the committee's meeting, the view of head of shariah committee is the most influential. His view is accepted by most of the committee members (translated)".</p> <p>"I proposed the sewing project to the poor. They will sew the school's apparels and distribute it to the schools through the school's apparel assistance program. But he (Head of Sharia Committee) said is not necessary because KEMAS has already did that. Other committee members also do not support me (translated)".</p> <p>"Not only on economic project but all aspects... for example, the problem regarding on repetitive recipients is due to the absence of collaboration in sharing the database (translated)".</p> <p>"Surely the committee can have consultations if they want to. For example, there are few consultations with Department of Inland Revenue and Department of Environment regarding on the rental of office spaces in Menara Zakat but for the economic assistance they just did not do it because they are not interested (translated)."</p> <p>"I proposed the sewing project to the committee but they rejected it. Some of them give the excuse that economic projects are difficult to succeed because they have done it in district office (translated)".</p>
ZO2	<p><i>"report and internet are quite difficult to be accessed by the poor, it can be only accessed by those who have internet facilities."</i></p>

	<p><i>“In my opinion the approach of promotion through banner and bunting to the poor group using signs is more effective.”</i></p>
<p>verbal approaches are better than promotion through electronics and publishes medium</p>	<p><i>Imam helps to spread the SHS information by pasting brochure in Masjid and announce them particularly before the Friday;</i></p>
<p><i>“Imam had helped by making announcements before they start performing Friday prayers as well as by pasting brochures on the notice board in the Masjid (translated)”</i></p>	<p><i>“The problem is that they (the poor) did not frequently attend congregational prayer at the masjid. Thus, they receive no information such SHS program (translated)”.</i></p>
<p>this method is less effective as the Imam have less opportunity to find the poor who are potential for promoting SHS program due to lack of time.</p>	<p><i>“We can’t give to them(recipient of AMA) just like that because many of the previous recipients have failed. Some of them had sold the equipments that we had gave, lost it and there are so many other reasons given by them. So, that’s why we don’t make so much publicity. They love this assistance programmes if they caught news of them. they will keep asking and inquiring about the assistance...everyday they would come and ask us if any assistance is readily to be distributed and can be acquired by them (translated)”.</i></p>
<p>He (chairman) is not the expertise in zakat’s field. He is just a senior state officer. He is appointed because he gain trust from the Sultan (translated)”.</p>	<p><i>“One more thing is that our money is not that much. Few people can share the money. If we want to buy equipment priced about MYR 3000-4000, only one person can get. But we give money, maybe 7-8 people can get with the same amount.. so that they will not complaint every year that are also poor, but they did not get any financial assistance (translated)”.</i></p>
<p><i>“I know my proposal with ZO1 of sewing project has been rejected due to the lack of workforce, but supposedly they should recommend to us to have the collaboration with Department of Community Development. But what happen actually, they rejected the proposal with the reason that the project has been implemented by Department of Community Development. If they are interested, surely they will allow us to collaborate with Department of Community Development (translated).”</i></p>	<p><i>“They are too carried away with their working style in zakat matters while the economic administration of zakat is different with the district office’sin zakat, the poor people can be given assistance until they succeed (translated)”.</i></p>

	<p>“They (professional committee members) do not want to have a cooperation and collaboration with their agencies because their own economic projects are met with failure too(translated)”.</p> <p>“In my opinion, they (professional committee members) felt it is a big loss to the zakat’s fund when a economic programme fails because they are affected from the bad experience they had in dealing with the poor. While the economic administration of zakat is different with the district office, the poor people can be given assistance until they are succeeded (translated)”.</p>
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DZ01	verbal approaches are better than promotion through electronics and publishes medium
	<i>Imam</i> helps to spread the SHS information by pasting brochure in <i>Masjid</i> and announce them particularly before the <i>Friday</i>
	this method is less effective as the <i>Imam</i> have less opportunity to find the poor who are potential for promoting SHS program due to lack of time.
	“Maybe because a lot of the recipients has failed in their business venture thus the secretary reacts to this problem by not issuing any letters for us(translated)”.
	<i>“I know that DoZK can vary their economic project for the poor because I already visited baitulmal Penang and their collection is less than us (DoZK) but they manage to do it so what is our problem (translated)”.</i>
“ if we want to depends on Imam to make the promotion on behalf of us (DoZK) it is quite difficult, as he needs to do his works (daily tasks) to earn for his living (translated)”	

DZO2	verbal approaches are better than promotion through electronics and publishes medium
	“when I visit them personally back at their home village, there are several people did ask about this economic assistance and I’ve told them that they can apply for asistance of equipment from DoZK. <i>However, application letter is needed</i> (translated)”.
	<p>this method is less effective as the <i>Imam</i> have less opportunity to find the poor who are potential for promoting SHS program due to lack of time.</p> <p>This is because the Imam consists of government and private staffs. They are subjected to their officials matters while Imam who work on their own for example farmers, rubber tapper and others are also busy with their daily activities (translated).</p>

	SHS promotion should not be widely spread out, as the poor usually take advantage to beg for the given assistance
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DZO3	verbal approaches are better than promotion through electronics and publishes medium “All information about any aid and assistance we offered never been kept in secret to them. We had nothing to hide as this is their rights and the funds are meant for the poor (<i>translated</i>)”.
	this method is less effective as the <i>Imam</i> have less opportunity to find the poor who are potential for promoting SHS program due to lack of time. <i>“It seems that by appointing Imam as our representative can lighten the burden as Imam is the person where the local people can refer. Thus, in zakat matters, the poor need to refer to the Imam in order to endorse their application for zakat assistance. Previously, there are many complaints when we appointed Amil that is not from the group of Imam because they are hardly to find and difficult to meet them. But, handing over the responsibility to promote the SHS to the Imam are not easy for them as they have other priority in order to earn their income and busy with their daily activities as well as the responsibility as Imam. Allowance as Imam is not enough for them to support their family (translated)”</i>
	SHS promotion should not be widely spread out, as the poor usually take advantage to beg for the given assistance
	The SHS scheme is quite different from other assistance programmes to the poor because official letters are issued for the other programmes. The directives in the letters assigns us to search for potential recipients according to the allotted amount. Thus, this makes our work easy. We can seek the help from the local imam to find the recipients too. As for SHS scheme, we do not receive any letter that assign us to search for any potential recipients (<i>translated</i>)”.
	“He (Imam) has other tasks to be done and we can’t put blame on him if there is not many people who aware about SHS by which it is majorly caused by lack of promotional efforts (<i>translated</i>)”.

DZO4	verbal approaches are better than promotion through electronics and publishes medium
	promotion of SHS directly to the villagers is not the responsibility of Zakat District scope of work: <i>“the role of the Zakat Officer is concentrated on administration such as to manage the receipt of zakat payments and distribute zakat. The promotion is</i>

	<i>the role of zakat officer executive”.</i>
	this method is less effective as the <i>Imam</i> have less opportunity to find the poor who are potential for promoting SHS program due to lack of time.
	SHS promotion should not be widely spread out, as the poor usually take advantage to beg for the given assistance
	<i>“We do not go out to find recipients for the SHS scheme usually we perform our tasks based on the directives of the secretary. It is easy for us in the case of the annual assistance for the poor as we receive official directives from the secretary asking us to find the number of potential recipients as prescribed that makes our work easier. However the secretary never asked us to find potential recipients for SHS scheme (translated)”.</i>
	<i>“I do not know why the letters were not issued about the SHS recipients. They always fail in their businesses. Maybe that is the reason the secretary did not issue letters(translated)”.</i>
	I’ve received a letter from SU to prepare a report on a person who asked for SHS....it is wasting my time to prepare it. I’m also the one who prepare for the previous reports but after we gave the assistance they didn’t success. This is not involving only one or two persons but many of them end up with failure. Up till now I didn’t went to check the recipients. Let it be. Though, the Headquartes didn’t ask me anything (translated)”.

DZO5	verbal approaches are better than promotion through electronics and publishes medium
	promotion of SHS directly to the villagers is not the responsibility of Zakat District scope of work
	<i>“Of course we had notified the SHS to the poor especially when we visit the villages to distribute the annual faqir assistance for the poor and they ask about other aid. So I suggest them to apply for the SHS assistance to support for equipment such as sewing machine and bakery utensil (translated)”.</i>
	this method is less effective as the <i>Imam</i> have less opportunity to find the poor who are potential for promoting SHS program due to lack of time.
	<i>“Although we had assign Imam as the head of Amil, not necessarily they had to do our (DoZK) job. Imam had many thigs to be done, so, it is not right to blame them for not promoting the SHS (translated)”.</i>
	<i>“They are really attracted to the news related to any help and assistance for the poor. They are willing to come frequently to the office and ask about the help</i>

(translated)".

"It is undeniable that the distribution of SHS and other assistance programmes depends on the local zakat collection. There was one application from the kariah Committee of Kampung Dato' Mosque where a community whose income is based on rubber tapping. The application was for the renovation of a mosque. Nevertheless

APPENDIX 'E'

Lukman Hakim bin Mahamod
Department of Islamic and Middle Eastern Studies
19 George Square, Edinburgh
EH8 9LD, United Kingdom
2006

December 13,

Dear Dato', Datin, Sir, Madam

PERMISSION TO CONDUCT AN INTERVIEW

I refer to the above statement. I would like to request permission for an interview session at your department for the purpose of my research.

2. For your information, the research carried out is aimed to investigate **The Role of Kedah Department of Zakat in Alleviating Rural Poverty; A Case Study**. The main purpose of this interview is to obtain feedback from your department regarding the problems faced in the implementation of the Self Help System (SHS) programme and property investments. The findings of this research are very important for the upgrading of the *zakat* assistance programmes which can help the rural poor, especially in Kedah. In addition, it will help improve the management of zakat in Malaysia overall.

3. For that reason, your cooperation and feedback as the representative of the Kedah Department of Zakat is very important to fulfill the aim of the research and ultimately improve the efficiency and effectiveness of the management of zakat.

4. Your cooperation is highly appreciated and any inconvenience is regretted.

Thank you.

Yours Sincerely,

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LUKMAN HAKIM BIN MAHAMOD
Department of Islamic and Middle Eastern Studies
The University of Edinburgh,
United Kingdom