

Zakāh Collection and Distribution Framework in Federal Territory of Kuala Lumpur: A Study on Selected Islamic Banking Institutions

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Abstract:

Zakāh is one of the important Islamic financial instruments. It is a resource for economic development in Muslim society. The management of zakāh in Malaysia is normally placed under the State authority. Focusing on the Federal Territory of Kuala Lumpur (FTKL), this study seeks to analyse the zakāh collection and distribution framework from certain selected Islamic banking institutions. The collection of data is made based on the available reports from 2009 to 2013, as obtained from the Zakāh Collection Centre or PPZ that is established under the Islamic Religious Council of FTKL or also known as MAIWP. Based on the examinations done on the zakāh collection and distribution framework in the FTKL, it is found that the collection and distribution figures of zakāh continue to increase in subsequent years through the efforts made by the institutions. The observation indicates that the practices of zakat collection and distribution as carried out by the Association of Islamic banking institutions already comply with the principles of Sharīah. However, there are particular areas that require improvements from the Islamic banking institutions for achieving better performance in the zakāh collection and distribution. This is crucial for the economic enhancement of Muslims in Malaysia.

Paper Type: Research paper

Keywords: Zakāh, Zakāh Collection and Distribution, Zakāh Administration, Islamic Banking Institutions, Islamic Finance, Zakāh Institutions

1. Introduction

Zakāh is a compulsory religious duty for Muslims. More specifically, Muslims have the obligation to contribute a specific proportion of their wealth (with certain conditions and requirements) to eight groups of beneficiaries as specified in the Qur'an. These beneficiaries include: the poor, the needy, the administrator, new Muslim converts who are financially disadvantaged, the slaves, the debtors, the spending in the cause of Allah, and the travellers.

All Muslims whose wealth is above certain threshold -- the minimum zakatable limit which is commonly known as nisab -- are required to pay zakāh. Based on a certain calculation, the zakāh payment is utilised for the needs of the poor in the society (Ahmed, 2014). The main purpose of collecting and distributing zakāh is to create and maintain socio-economic justice (Wahab and Abdul Rahman, 2011). From socio-economic perspective, zakāh is expected to achieve positive implications such as poverty alleviation and economic growth. The zakāh institutions have the responsibilities to collect and distribute zakāh. They also hold an important role and can be counted as the integral stakeholder of the Islamic socio-economic system.

In measuring the development of zakāh collection and distribution, it is crucial to analyse and review the framework of zakāh institutions. In Kuala Lumpur, the collection and distribution of zakāh fund are managed by Majlis Agama Islam Wilayah Persekutuan (MAIWP). The zakāh Collection Centre in the Federal Territory is an agency under MAIWP and is authorised to collect zakāh. As a zakāh institution, MAIWP is responsible in managing the zakāh pool and ensuring that zakāh fund is effectively collected and distributed to the specific groups of people as stated in the al-Quran.

This study is focused on three selected zakāh institutions and their collection and distribution of zakāh framework in Federal Territory of Kuala Lumpur (FTKL), using secondary data collected from the annual reports from banks and MAIWP. Such institutions are the Zakāh Collection Centre or PPZ as established under the MAIWP and three Islamic banking institutions in Malaysia, namely: (i) Bank Islam Malaysia Berhad (BIMB), (ii) Bank Rakyat (BR), and (iii) Maybank Islamic Berhad (Maybank). The presentation of this study is structured into five separate sections. The first section provides the introduction, the second section discusses about the zakāh collection and distribution framework according to the PPZ. The third section presents the analysis on the zakāh collection and distribution framework according to the above mentioned Islamic banking institutions. The fourth section identifies the differences on zakāh distribution framework between MAIWP and the said Islamic banking institutions. The final section evaluates the overall findings and provides the conclusion.

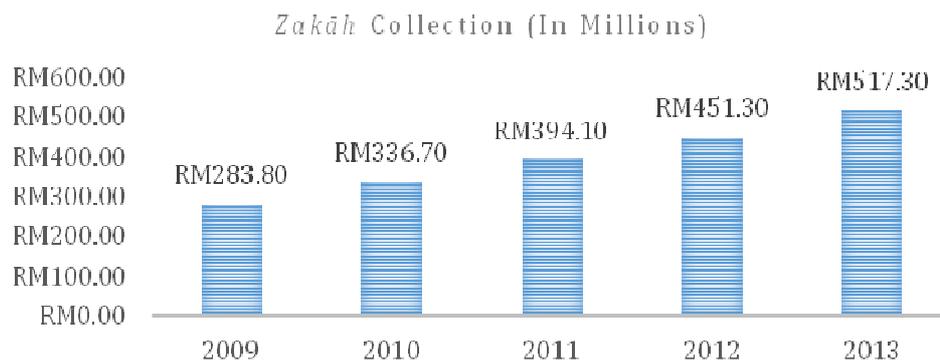
2. Zakāh Collection and Distribution Framework

MAIWP derived its status as a statutory body based on Section 4 of the Administration of Islamic Law (Federal Territories) Act 1993 or AILFT 1993. The said provision stipulates clearly that "There shall be a body to be known as the 'Majlis

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Agama Islam Wilayah Persekutuan' to advise the Yang di-Pertuan Agong in matters relating to the religion of Islam". Even though, the said provision is general in nature, MAIWP is placed as the responsible body in managing the affairs of Islam in FTKL. By referring to Section 5 of AILFT 1993, MAIWP is directly authorised for zakāh management which includes its collection and distribution within the FTKL. Under the auspicious of MAIWP, Pusat Pungutan Zakat (PPZ) is established. Stands as an established company, the PPZ derives its validity by virtue of Section 8 and 8A of AILFT 1993. On behalf of MAIWP, the PPZ is responsible in conducting the collection of zakāh in FTKL. PPZ becomes an important key point in guarantying the management and administration of zakāh. The PPZ collects zakāh mainly based on wealth. Among the items that are categorized for zakāh collection are: (i) employment, (ii) income, (iii) savings, (iv) business, (v) gold and (vi) silver, (vii) shares and also the collected fund of (viii) Employers' Provident Fund or EPF (MAIWP Annual Report, 2010: 36). Figure 1.0 shows the statistics of zakāh collection as carried out by the PPZ on behalf of MAIWP from 2009 until 2013. All of this zakāh collection is based on the categories of overall property or wealth as listed above.

Figure 1: Zakah Collection from 2009 to 2013



Sources: MAIWP Annual Reports 2009-2013

Looking at Figure 1. as provided above, in 2009, the PPZ has collected a total of RM 242 million of zakāh; while, RM 275.6 million of zakāh has been collected in 2010. It is observed that zakāh collection has increased steadily throughout the years. Similar pattern can be seen when the total of RM 341.1 million, RM 402.8 million and RM 484.6 million of zakāh has been collected respectively from 2011 to 2013.

The Ministry of Waqf, Zakāh and Pilgrimage Malaysia (JAWHAR) was established by the Malaysian Government in 2004. The main role of JAWHAR is to ensure the management and administration of awqaf properties, zakāh and hajj in Malaysia to be in order, systematic and effective. In ensuring the smoothness of zakāh collection and distribution, the JAWHAR issues a reference manual on the management of zakāh distribution in 2007 for SIRC's in Malaysia. The said reference manual is known as Manual Pengurusan Agihan Zakat or MPAZ. It is a guideline for all SIRC's in implementing zakāh distribution in each of their respective states, including the FTKL. The MPAZ lists down fifteen principles on zakāh distribution for the purpose of ensuring fair and effective distribution of zakāh to the qualified recipients. To a great extent, these principles cover good governance practices as introduced by

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United Nations Economic and Social Commission for Asia and the Pacific (2008). These fifteen principles of zakāh distribution stipulated in the MPAZ (JAWHAR, 2007: 4-6) derive their roots of validities from the Shariah. They are as follows:

i. Amānah (trust)

All zakāh proceeds collected must be channelled to the rightful recipients as those proceeds are trust in the hands of the zakāh institutions that hold the status of intermediary between zakāh payers and zakāh recipients.

ii. Transparent

All the collection and distribution of zakāh must be presented and audited in order to ensure its transparency. It is important to prevent any leakages of zakāh funds by any irresponsible party.

iii. Comprehensive

Zakāh collection should be distributed comprehensively to those particular rightful recipients.

iv. Fair distribution

Zakāh must be distributed in a fair manner to all zakāh recipients. However, if there is any surplus from the allocation of the group recipients, it may be channelled to the others who are in need based on priority.

v. Ḥad al-kifāyah (essential needs)

Zakāh distribution in Federal Territories should be at least suffice to cover the recipients' essential needs which are outlined by MAIWP, that include shelter, food, clothing, medication, education and transportation.

vi. Exclusive

Zakāh collection should be distributed to the eight (8) exclusive groups of recipients as mentioned in the Qur'ān in Surah al-Tawbah, verse 60.

vii. Separate entity

MAIWP should separate zakāh funds from other funds in order to ensure that the zakāh fund is not used for other purposes, except for zakāh distribution.

viii. Prudent

All expenses which are related to the zakāh distribution should be managed prudently by MAIWP in order to ensure that all zakāh proceeds are utilized in an optimal manner.

ix. Supervision

Zakāh management should be supervised intensively to prevent any leakage of the zakāh proceeds.

x. Responsible

It is the responsibility of the āmil who is appointed by MAIWP to be honest and truthful in collecting and distributing zakāh as instructed by MAIWP.

xi. Full information

Āmil should obtain full information before distributing zakāh to the rightful recipients. Without full and complete information, there are chances that zakāh is distributed to the wrongful recipients who are not eligible in receiving it.

xii. Nomination

The zakāh payers are allowed to nominate any person who they want to give zakāh.

xiii. Immediate

After the rightful zakāh recipients are identified, the distribution of zakāh should be made immediately to them, in order to prevent any misuse or fraud of the zakāh proceeds.

xiv. Rights

All the zakāh proceeds collected by zakāh institutions are the rights of the zakāh recipients.

xv. Priority

Zakāh distribution should be distributed through its prioritization to these three groups of recipients that is faqīr, miskiīn and āmil. Based on this principle, in the case of shortage in zakāh allocation for these three groups of recipients, the portion of zakāh for the other groups of recipients may be used to satisfy the needs of the faqīr, miskiīn and āmil.

These fifteen principles encompass the shariah requirements and good governance practices. First, these principles remark that the process of zakāh collection and distribution should be transparent and zakāh organisations should be accountable to the public and institutional stakeholders. Second, these principles also emphasise the roles and responsibilities of the people who are involved in the process of zakāh collection and distribution (administrator, recipient, and payee) to ensure that the socio-economic objectives are attainable.

The zakāh distribution is categorised by MAIWP into two groups. The first type of zakāh distribution is known as the *direct distribution* (agihan secara langsung) and the second type of zakāh distribution is called *indirect distribution* (agihan secara tidak langsung). Under the direct distribution, zakāh is distributed to the recipients through numerous assistance schemes that were introduced by MAIWP. The schemes are divided into four categories and they are: (i) social development activity, (ii) economic development activity, (iii) education development activity, and (iv) welfare activity (MAIWP Annual Report, 2010: 36). Meanwhile, the indirect distribution includes the MAIWP's administration costs such as staff wages, maintenance of premise, utility bills, etc. Table 1 shows the zakāh's direct distribution framework to the zakāh recipients.

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Table 1: Zakah Distribution Framework as introduced by MAIWP

Categories	Descriptions
SOCIAL	MAIWP assists the <i>zakāh</i> recipients to fulfil their basic needs through several programmes such as monthly financial aid which are given to the groups of <i>faqīr</i> , <i>miskīn</i> and <i>muallaf</i> for a year. The accommodation aid that includes assistance for house rent deposit, monthly rental, house construction and renovation, aid for <i>al-ghārimīn</i> which is given to those who are indebted in order to fulfil their basic needs such as food, health, clothing, shelter and education, and also medical aid. Overall, the social development activity focuses on helping the <i>zakāh</i> recipients that are <i>faqīr</i> , <i>miskīn</i> , <i>muallaf</i> and also <i>al-ghārimīn</i> .
ECONOMIC	MAIWP aims to help and encourage the <i>zakāh</i> recipients to generate their own income in business and entrepreneurship. Consequently, they may be able to live a comfortable life. The assistance offers business aid which is given either in the form of monetary such as the capital expansion or in the form of physical tools such as business equipment and etc. The hire purchase deposit for taxi aid also offers by MAIWP in which its aim to help taxi drivers to own their own taxis by offering deposit payment for the purchase of the taxi vehicles. By doing so, the taxi drivers will not be burdened for the rental of taxi vehicles.
EDUCATION	MAIWP prepares several programmes for education that cover levels of studies at primary and secondary school, where the school fees and equipments are provided for the students. Scholarships are also offered to undergraduate and postgraduate studies at universities' levels.
WELFARE	MAIWP also provides the aid for welfare and <i>da'wah</i> activity such as aids for catastrophes which are given to those who have been hit by disasters such as flood, fatal accidents, landslide, fire, burglary and storm; aid for encouragement of <i>Qur'ān</i> memorization; aid for non-governmental organization (NGO) for their effort in spreading <i>da'wah</i> to the society, religious and educational institution, aid for marriage in order to prevent and overcome social problems such as <i>zinā</i> (adultery), aid for <i>Syarie</i> lawyer services, aid for <i>ibn al-sabīl</i> and aid for <i>takāful</i> coverage.

Source: MAIWP Annual Report 2009 to 2013

All the assistance schemes as provided above are categorized as the framework on *zakāh* distribution in FTKL, including the Islamic banking institutions. Depends on the available data, it is essential to evaluate whether the selected Islamic banking institutions follow or not the framework as launched by the MAIWP.

3. Zakāh Collection and Distribution Framework on the Selected Islamic Banking Institutions

As the institutions that possess the role of financial intermediaries, Islamic banking institutions cannot avoid but must fulfil their responsibilities in contributing to the social welfare of society through the concept of Corporate Social Responsibilities (CSR) and *zakāh*. Since the headquarters of the selected Islamic banking institutions are situated in FTKL, their *zakāh* collection and distribution framework are observed based on the assistance schemes as introduced by MAIWP. The selected Islamic

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banking institutions are: (i) Bank Islam Malaysia Berhad or BIMB. BIMB is chosen because it is the first Shariah based banking institution in Malaysia. (ii) Bank Kerjasama Rakyat Malaysia Berhad or BR which is selected due to BR's nature as a cooperative bank. (iii) Maybank Islamic Berhad or Maybank is chosen because it is the biggest banking institution that offers Islamic financial services in Malaysia.

Based on the annual reports of the selected Islamic banking institutions as mentioned above, the pattern of zakāh collection and distribution framework can be traced. Table 2 shows the zakāh provisions of BIMB, BR and Maybank from 2009 to 2013.

Table 2: Zakah Provisions of Selected Banks (RM million)

	2009	2010	2011	2012	2013
BIMB	10.4	11.57	7.81	9.25	12.43
Bank Rakyat	28.9	52.35	33.64	45.62	34.0
Maybank	4.65	4.31	5.74	15.2	21.46

Source: Annual Report of BIMB, BR and Maybank from 2009 to 2013

According to Table 2, it can be seen that the total amount of zakāh provisions vary from 2009 to 2013 in each of the selected Islamic banking institutions. Nonetheless, the data indicates that there has been a steady growth since 2009.

The management of zakāh collection and distribution in the selected Banks put emphasis on the Sharīcah framework to ensure that zakāh was rightly collected and distributed to its worthy recipients, and that it could lead to poverty alleviation in that society. Tables as provided below indicate the zakāh collection and distribution framework of BIMB (Table 3), BR (Table 4) and Maybank (Table 5) through the assistance schemes of MAIWP. The data are obtained from the selected Banks' annual reports.

Table 3: Zakāh collection and distribution framework of BIMB

Categories	Bank Islam Malaysia Berhad (BIMB)
Social	BIMB intensifies its effort to bring about cheers to the destitute by conducting nationwide programmes for <i>zakāh</i> distributions. In the programmes, <i>zakāh</i> , essential items and clothes were donated to the poor and needy. The BIMB's flagship housing project for the poor is completed from large sum of <i>zakāh</i> contributions for the construction and rehabilitation of houses for the poor families across the states of Malaysia.
Economic	There is no specific data available in BIMB Annual Report from 2009 until 2013 on the distribution of <i>zakāh</i> for the purpose of the economic activities.
Education	More than RM5 million worth of <i>zakāh</i> was contributed to education initiatives. Such initiatives can be traced from: the Ar-Rahnu Zakat Handover ceremony to 46 students of <i>Maahad Tahfiz Darul Quran Wal Qiraat, Pasir Mas; Markaz Al-Aitam, Pasir Puteh and SK Demit 2, Pengkalan Chepa, Kelantan</i> . Contribution of <i>zakāh</i> was also made to several mosques within the vicinity and <i>Pasukan Perlindungan Kanak-kanak Kelantan</i> , by setting up welfare <i>zakāh</i> funds for students in local universities, financial assistances for Malaysian students who are studying in the Middle East. In addition the said funds are also allocated for the poor, sick and needy, as well as improvements of religious schools, mosque and prayer rooms.
Welfare	Through donations and sponsorships, the BIMB continues to support hugely

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valuable contributions made by charity bodies, schools and non-profit organizations. By doing this, it can help the BIMB in building a good relationship with the local communities. The BIMB also handed *zakāh* contribution to *Majlis Zakat Melaka, Majlis Agama Islam Negeri Johor, Jawatankuasa Zakat Negeri Kedah, Majlis Agama Islam & Adat Melayu Perak Darul Ridzuan, Majlis Agama Islam Pulau Pinang, Majlis Agama Islam Adat Istiadat Melayu Kelantan* and *Majlis Agama Islam dan Adat Melayu Terengganu*. The BIMB remains alert to render its support to the communities, especially when they are affected by unexpected disasters. In November 2010, the Bank rendered financial assistances to flood victims from Kedah by contributing *zakāh* payment of RM 100,000.

Table 4: Zakāh collection and distribution framework of Bank Rakyat

Categories	Bank Kerjasama Rakyat Malaysia Berhad (BR)
Social	BR's total <i>zakāh</i> for 2013 was RM41 millions. RM15 million was managed by the BR, while RM25.7 million was distributed to the respective states. The BR used portion of the <i>zakāh</i> to purchase 52 houses, build and repaired 19 homes. The remaining collection was distributed to the other assistance schemes.
Economic	There is no specific data available in the BR Annual Report from 2009 until 2013 on distribution of <i>zakāh</i> for the purpose the economic activities.
Education	BR has distributed <i>zakāh</i> to students from primary and secondary schools in Selangor. The BR also distributed <i>zakāh</i> to improve educational access via seminars for UPSR, PMR, and SPM students. The BR also provided schooling supplies to 48,102 students from poor and needy families.
Welfare	The BR has donated <i>zakāh</i> for Muslim funeral vans (van jenazah) to Muslim communities, and financed the operation costs of 170 cataract patients in 2013. The BR assists 1600 students who were the victims of one of the worst floods by providing school supplies worth RM150,000.

Table 5: Zakāh collection and distribution framework of Maybank

Categories	Maybank Islamic Berhad (Maybank)
Social	<i>Zakāh</i> contribution was given to the Baling community to five families in receiving new homes, three families had their houses renovated, the renovation of a surau and 185 children received school uniforms in year 2010. Maybank Islamic and Etiqa contributed over RM8 million in <i>zakāh</i> payment during the year to benefit the less privileged and needy. Etiqa also made a <i>zakāh</i> contribution to Madrasah Darul Atiq at Ulu Yam, which provides assistances and shelters to single mothers and abandoned children.
Economic	There is no specific data available in Maybank Islamic Berhad Annual Report from 2009 until 2013 on distribution of <i>zakāh</i> for the purpose of the economic activities.
Education	There is no specific data available in Maybank Islamic Berhad Annual Report from 2009 until 2013 on the education schemes. However, it is believed that there is an education scheme provided by Maybank since the Bank has provided scholarships for students who can further their studies to universities.
Welfare	Maybank Islamic always believes in being at the heart of the community, in line with the Group's mission of 'Humanising Financial Services across Asia'. Maybank Islamic distributed a total of RM7.07 million to 15 State Zakat centres as well as to charity bodies in Malaysia with an increase of RM 2.06 million in comparison to the 2009 financial year.

As indicated in Table 3, 4, and 5, the achievements of the zakāh system in the selected banks are noteworthy. The current success of the system indicates that zakāh is an effective mechanism in helping those who were more financially disadvantaged. It is found that zakāh collection and distribution has a positive impact, but the impact may not strong enough to enrich the recipients. The following section examines the recipients groups.

4. Differences of Zakāh Distribution Framework between MAIWP and Islamic Banking Institutions

Zakāh payment is a religious duty for Muslims, and at the same time there are also specific groups of individuals who are entitled to receive it in accordance with Shariah law. There are eight categories of zakāh recipients, namely the needy (*Faqīr*), poor (*Miskīn*), zakāh official (*Āmil*), the new converts to Islam or those who ‘reconciles’ to Islam (*Mu’allaf*), slaves and captives (*Riqāb*), debtors (*Ghārim*), for the cause of Allah (*Fī sabīl Allāh*), and travellers (*Ibn al-sabīl*). The amount of zakāh distribution to each beneficiary group depends on certain requirements and situations. Table 6 below demonstrates the zakāh distribution according to zakāh recipients in the FTKL from 2009 until 2013.

Table 6: Zakāh distribution (RM in millions)

Zakāh recipients	2009	2010	2011	2012	2013
<i>Faqīr</i> (the indigent)	36.1	37	56.8	64.3	69.8
<i>Miskīn</i> (the poor)	26	30.9	58.5	65.1	76.3
<i>Āmil</i> (the collector)	40.4	32.4	27.8	25.9	31
<i>Mu’allaf</i> (for unifying hearts of those inclined to Islam)	6.6	3.5	6.6	6.3	7.4
<i>Riqāb</i> (for freeing the slaves)	0	0	0	0	0
<i>Ghārim</i> (those indebted)	2.2	2.5	3.7	2.6	4.6
<i>Fī sabīl Allāh</i> (spending in the Path of Allah)	63.3	93.7	91	107.3	138.8
<i>Ibn al-sabīl</i> (travellers)	0.5	0.6	2.1	0.4	0.4

Sources: Annual Reports 2009-2013, MAIWP, Annual Reports 2009-2013, PPZ

As shown in Table 6, the *fī sabīl Allāh* receive the highest zakāh payment. This group was registered for more than 45% of the total zakāh distribution fund for each year. From 2011 until 2013, the second highest group who received an overall of 24% for each year was the group of *miskīn* recipients. As for the group of *mu’allaf* recipients, the highest portion of zakāh was recorded at RM7.4 million in 2013.

It is observed that MAIWP did not distribute any zakāh to the group of *riqāb* recipients throughout this period. According to the MAIWP Annual Report 2001, it is reported that MAIWP has distributed RM4000 to the group of *riqāb* recipients. Since 2002 until 2013, there was no allocation made for this group from the zakāh distribution fund.

It seems that MAIWP gave more allocation of zakāh distribution to the group of *fī sabīl Allāh* recipients. This is traceable from the assistance programmes to this group that provided by MAIWP such as medical aid, hire purchase deposit for taxis, scholarship aids, aids for catastrophes, aids for marriages and etc.

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The data between 2009 until 2013 are collected from the annual reports of the selected Islamic banking institutions. By using the available data, the analysis on the zakāh portions that were allocated to the zakāh recipients is accordingly analysed. The stipulated Tables of 7, 8 and 9 below indicate the descriptive statistics on the zakāh distribution based on the assistance schemes that were issued by BIMB, BR and Maybank from 2009 until 2013.

Table 7: Bank Islam Malaysia Berhad (RM Million)

Assistance schemes	2009	2010	2011	2012	2013
Social	1.7	1.0	-	2.0	4.1
Economics	-	-	-	-	-
Education	-	2.0	0.2	-	-
Welfare	8.9	8.9	11.5	-	-

Source: Bank Islam Malaysia Berhad Annual Report 2009-2013

Table 8: Bank Rakyat (RM Million)

Assistance schemes	2009	2010	2011	2012	2013
Social	12.5	-	39.9	-	0.15
Economics	-	-	-	-	-
Education	-	-	-	-	-
Welfare	-	-	-	40.6	25.7

Source: Bank Rakyat Annual Report 2009-2013

Table 9: Maybank (RM Million)

Assistance schemes	2009	2010	2011	2012	2013
Social	-	8.0	7.0	0.2	3.8
Economics	-	-	-	-	-
Education	-	-	-	0.34	-
Welfare	-	-	-	0.15	11.4

Source: Maybank Annual Report 2009-2013

Tables of 7, 8 and 9 show that several amounts of zakāh distributions were not recorded properly between the periods of 2009 to 2013. Nonetheless, these tables also show that the selected banks put greater emphasis on welfare. Moreover, the selected banks follow the categories of assistance schemes as introduced by MAIWP. It can be seen that the selected Islamic banking institutions are following the aid schemes as launched by MAIWP, despite they are not being explicit in the nature of the aids and assistance programmes.

From the data analysed, there are different numbers in the term of collection and distribution of zakāh. For example, the data of zakāh collection recorded from Maybank in 2011 was amounting to RM 5.74 million (Maybank Annual Report, 2011). However, the zakāh distribution in the same year was recorded up to RM 7 million only. Another example is from 2013, where the zakāh collection recorded for BIMB was RM 12.43 million (BIMB Annual Report, 2013). However, the zakāh distribution was recorded at only RM 4.1 million.

By looking at the data, it can be seen that the data recorded for zakāh distribution is exceeding the zakāh provisions. There are some inconsistencies based on the zakāh collection and distribution recorded by the selected Islamic banking institutions. There is no apparent report or statement issued by the Islamic banking institutions regarding these inconsistencies. Such inconsistencies may be due to the possibility of the selected Banks brought the surplus of their zakāh collection and distribution from the previous year to the total of the subsequent year.

5. Conclusion

Zakāh has a great potential to reduce the inequality of income distribution and wealth. The Government of Malaysia plays an important role in promoting good governance within zakāh institutions. The governance of zakāh institutions includes the governance structure, process, and mechanism that ensure financial accountability and administrative efficiency of zakāh collection and distribution. The characteristics of good governance include accountability, transparency, and fairness (Wahab and Abdul Rahman, 2011: 55). It is important to examine the governance mechanisms in zakāh institutions to ensure the effectiveness of zakāh collection and distribution. This paper sheds some light on the collection and distribution of zakāh in Federal Territory of Kuala Lumpur (FTKL), provides an exploratory insight on the governance of zakāh institutions.

Based on the secondary data collected from MAIWP and the selected Islamic banking institutions, it is noted here that some of the Islamic banking institutions do not follow all frameworks or guidelines introduced by MAIWP. The Islamic banking institutions are separate legal entity from MAIWP, and they are not bound to follow the zakāh collection and distribution framework of MAIWP. In addition, there is no stipulated regulation or law that imposes the Islamic banking institutions to follow the framework of MAIWP. And thus it is recommended here that Islamic banking institutions to consider a more creative or perhaps unconventional forms of zakāh administration. First, the Islamic banking institutions can develop their zakāh collection and distribution framework through their respective Shariah Committee. By doing so, the Islamic banking institutions can increase efficiency in managing zakāh distributions and collections. This could be began by establishing and developing specific criteria for the eligibility of zakāh recipients, specifying the amount of the zakāh collection and distribution channels, as well as developing a comprehensive priority assessment system.

Alternatively, the Islamic banking institutions can follow the zakāh collection and distribution framework as introduced by established zakāh institution like MAIWP. The framework of MAIWP is well-established and in accordance with shari'ah requirements, therefore the Islamic banking institutions could adapt and modify it for the purpose of ensuring good governance.

The zakāh management must follow the principles of Sharīcah, either for the collection of zakāh or the distribution of zakāh. The zakāh collection and distribution framework in FTKL can be used as an example, not only for the Islamic banking institutions, but also other states in Malaysia. The aids and assistance programmes that were introduced by MAIWP in the FTKL can be extended to other States through

their respective religious councils by applying the branching concept to zakāh institutions, as introduced by Wahab and Abdul Rahman (2011).

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