Islam is a religion built upon five pillars, namely the testimony that there is no god except Allah and Muhammad is the messenger of Allah, establishing prayers, paying zakat, fasting in the month of Ramadhan, and performing pilgrimage in Mecca. Every Muslim must establish himself upon these five pillars. It is obligatory for a Muslim, whose wealth exceeds a specific amount called nisab, to pay zakat in order to fulfill his duty as well as to purify his soul and wealth. The zakat fund is distributed to the specific groups of people as stated in the al-Qur'an. The rational of the imposition of zakat is to prevent the concentration of wealth in a few hands, which is clearly stated in the al-Qur'an. It plays an essential role in the Islamic social welfare system to alleviate poverty of Muslim communities. Zakat is a major source of revenues in an Islamic state, and therefore Muslims should understand about the zakat management, particularly on the collection, distribution as well as the effects of zakat distribution in the economy.

Sorfina Densumite

Sorfina Densumite studied economics at International Islamic University Malaysia. She is currently a lecturer at the Center for Conflict Studies and Cultural Diversity, Prince of Songkla Universitiy, Pattani Campus, Thailand.

Zakat administration, distribution and economic growth

A Study in the Federal Territory of Malaysia
Sorfina Denumite
Mohammed B. Yusoff

Zakat administration, distribution and economic growth
Sorfina Densumite
Mohammed B. Yusoff

Zakat administration, distribution and economic growth
A Study in the Federal Territory of Malaysia
Impressum / Imprint
Alle in diesem Buch genannten Marken und Produktnamen unterliegen warenzeichen-, marken- oder patentrechtlichem Schutz bzw. sind Warenzeichen oder eingetragene Warenzeichen der jeweiligen Inhaber. Die Wiedergabe von Marken, Produktnamen, Gebrauchsnamen, Handelsnamen, Warenbezeichnungen u.s.w. in diesem Werk berechtigt auch ohne besondere Kennzeichnung nicht zu der Annahme, dass solche Namen im Sinne der Warenzeichen- und Markenschutzgesetzgebung als frei zu betrachten wären und daher von jedermann benutzt werden dürften.

Bibliographic information published by the Deutsche Nationalbibliothek: The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available in the Internet at http://dnb.d-nb.de.
Any brand names and product names mentioned in this book are subject to trademark, brand or patent protection and are trademarks or registered trademarks of their respective holders. The use of brand names, product names, common names, trade names, product descriptions etc. even without a particular marking in this works is in no way to be construed to mean that such names may be regarded as unrestricted in respect of trademark and brand protection legislation and could thus be used by anyone.

Coverbild / Cover image: www.ingimage.com

Verlag / Publisher:
LAP LAMBERT Academic Publishing
ist ein Imprint der / is a trademark of
AV Akademikerverlag GmbH & Co. KG
Heinrich-Böcking-Str. 6-8, 66121 Saarbrücken, Deutschland / Germany
Email: info@lap-publishing.com

Herstellung: siehe letzte Seite /
Printed at: see last page
ISBN: 978-3-8484-2568-6

Zugl. / Approved by: International Islamic University Malaysia, Dissertation, 2010

Copyright © 2013 AV Akademikerverlag GmbH & Co. KG
Alle Rechte vorbehalten. / All rights reserved. Saarbrücken 2013
ZAKAT ADMINISTRATION, DISTRIBUTION AND ECONOMIC GROWTH

A study in the Federal Territory of Malaysia

Sorfina Densumite
and
Mohammed B. Yusoff
PREFACE

The Federal Territory of Malaysia comprising of Kuala Lumpur, Putrajaya, and Labuan are governed directly by the federal government of Malaysia. Kuala Lumpur is the national capital of Malaysia, Putrajaya is the administrative capital of the federal government, and Labuan is an offshore financial centre. Both Kuala Lumpur and Putrajaya are located in the state of Selangor, while Labuan is an island in the South China Sea off the coast of the state of Sabah of East Malaysia. Kuala Lumpur was declared as the first federal territory of Malaysia in 1974, followed by Labuan in 1984. Putrajaya is the administrative capital of the federal government became the third federal territory in 2001. In this book, the Federal Territory of Malaysia refers to the three federal territories: Kuala Lumpur, Putrajaya, and Labuan.

This book is concerned with the zakat administration in the Federal Territory of Malaysia emphasizing more on the management of zakat collection and distribution, and how it contributes toward the improvement in the well-being of the people in the Federal Territory. The book is organized in the following manner. Chapter 1 explains the concept of zakat while Chapter 2 provides the details of the laws and the practices of zakat collection in the Federal Territory of Malaysia. Chapter 3 discusses the groups who are qualified to receive zakat under the Islamic law and analyses the performance of zakat distribution in Malaysia, particularly in the Federal Territory. Chapter 4 presents the model and the estimation techniques to examine the impact of zakat distribution on economic growth in the Federal Territory of Malaysia and the discussion of the results. And finally, Chapter 5 summarizes the findings and their policy implications.
Sorfina Densumite
Center for Conflict Studies and Cultural Diversity
Prince of Songkla University
Pattani Campus, Thailand

Mohammed B. Yusoff
Department of Economics
Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia

15 February 2013
# TABLE OF CONTENTS

**PREFACE**

**TABLE OF CONTENTS**

**CHAPTER 1 INTRODUCTION**

1.1 ZAKAT AS A RELIGIOUS TAX

1.2 ZAKAT ADMINISTRATION IN THE FEDERAL TERRITORY

**CHAPTER 2 TYPES OF ZAKAT AND RATES OF PAYMENT**

2.1 INTRODUCTION

2.2 ZAKAT RATES FOR GOLD AND SILVER

2.2.1 Nisab and Rates

2.2.2 General Rules

2.3 ZAKAT FOR CURRENCY

2.3.1 Nisab and Rates

2.3.2 General Rules

2.4 ZAKAT FOR PEARLS AND PRECIOUS STONES

2.4.1 Nisab and Rates

2.4.2 General Rules

2.5 ZAKAT FOR THE PRODUCTS OF GOLD AND SILVER

2.5.1 Nisab and Rates

2.6 ZAKAT FOR TREASURE TROVES

2.6.1 Nisab and Rates

2.6.2 General Rules

2.7 ZAKAT FOR THE SPOILS OF WAR

2.7.1 Nisab and Rates

2.7.2 General Rules

2.8 ZAKAT FOR TRADE

2.8.1 Nisab and Rates

2.8.2 General Rules

2.9 ZAKAT FOR DOMESTIC ANIMALS

2.9.1 Zakat for Pasturing Camels

2.9.1.1 Nisab and Rates

2.9.2 Zakat for Pasturing Sheep and Goats

2.9.2.1 Nisab and Rates

2.9.3 Zakat for Pasturing Oxen
3.3.4.3 Treatments for Chronic Diseases 61
3.3.4.4 Haemodialysis Treatment 61
3.3.4.5 Economic Development 62
3.3.4.6 Education Development 63
3.3.4.7 Development of Tahfiz Institutions 64
3.3.4.8 Financing Activities of Religious Institutions and NGO 64
3.3.4.9 Disaster Assistance 65
3.3.4.10 Assistance to Hospitals 65
3.3.4.11 Creating Zakat Distribution Centre 65
3.3.4.12 Promotion of the Zakat Distribution 66
3.3.4.13 Development of Human Capital 67
3.3.4.14 Darul Kifayah Complex 70
3.3.4.15 Dar Assaadah Complex 71
3.3.4.16 Darul Hannan Kindergarten 73
3.3.4.17 Federal Territory Islamic Kindergarten 74
3.3.4.18 Development in Information Technology 74
3.3.4.19 MAIWP Real Estate Properties 74
3.3.4.20 Investment 75
3.3.4.21 Federal Territory Taqwa Foundation 77
3.3.4.22 Yayasan Taqwa Wilayah Persekutuan 78

3.4 CONCLUSION 78

CHAPTER 4 ZAKAT AND ECONOMIC GROWTH 80

4.1 INTRODUCTION 80
4.2 LITERATURE REVIEW 80
4.3 THEORETICAL MODEL 83
4.3.1 Zakat Macro-Model 84
4.3.2 Empirical Model 88

4.4 METHODOLOGY 90
4.4.1 Sources of Data 90
4.4.2 Estimation Methods 91
4.4.2.1 Unit Root Test 91
4.4.2.2 Cointegration Test 92
4.4.2.3 Vector Error Correction Model (VECM) 92
4.4.2.4 Granger Causality Test 93

4.5 EMPIRICAL RESULTS AND DISCUSSION 94
4.5.1 Unit Root Tests 94
4.5.2 Cointegration Tests 95
4.5.3 Vector Error Correction Model (VECM) 96
4.5.4 Granger Causality Tests 96