

The Outstanding Business Zakat Collection During Covid-19: Case Study at Pusat Pungutan Zakat MAIWP

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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v13-i7/17810> DOI:10.6007/IJARBSS/v13-i7/17810

Published Date: 17 July 2023

Abstract

As is well known, zakat is a powerful tool in the fight against poverty in Islamic countries. In the midst of Covid-19 that hit the whole world including Malaysia, logically the collection of business zakat would gradually decrease to align with the poor performance of business-related activities that have been portrayed on lots of platforms including social media. Surprisingly, the business zakat collection shows a significant increment by Pusat Pungutan Zakat MAIWP during Covid-19. This study aims to investigate the factors contributing to outstanding zakat business collection during pandemic Covid-19 by Pusat Pungutan Zakat MAIWP. For this study, we are collecting data and information from multiple reliable sources using interviewing and library research techniques. As a result, the study identified five important factors in business zakat collection increment by Pusat Pungutan Zakat MAIWP during Covid-19.

Introduction

Generally, there are two main types of zakat which is zakat fitrah and zakat on wealth. Zakat Fitrah is self-zakat that is obligatory on every able Muslim man and woman with the prescribed conditions. Meanwhile, for zakat on wealth, there are divided into several

significant types which is zakat on income, business zakat, zakat on savings, zakat on investment, zakat on KWSP, zakat on silver and gold and also zakat on takaful. Not to mention that business zakat is zakat that must be paid as a result of business property whether based on manufacturing, mining, fisheries, shipping, supply, agriculture, services or the like for the purpose of trading. Whether in the form of private business, partnership business among Muslims or with non-Muslims, business of all types of companies, cooperatives or stock business and so on

There are several evidences in al Quran Kareem regarding business zakat. One of them is from Surah Al-Baqarah verse 267 which means:

"O you who believe, pay zakat a portion of your good deeds and a portion of what we produce from the earth for you."

Problem Statement

As we can see, the business activities both small and large business entities were affected in this pandemic Covid 19. Consequently and logically, most of people will assume that the business zakat collection will also decline align with the business situation in Malaysia generally. This actually in line with the research made by Norhashimah (2020) regarding the challenge of SMEs during Covid 19 where based on their findings, the percentage of people who pay business zakat is less than who do not pay which is 44% whom pay the business zakat and 56% who do not pay the business zakat. This actually parallel to the percentage of SMEs that affected with pandemic Covid 19 which is 64% who were affected with pandemic Covid 19 and only 36% who do not affected with pandemic Covid 19 (Kamaruddin & Wahid, 2020).

Nevertheless, the percentage of business zakat collection in Pusat Pungutan Zakat MAIWP shows increase in number which is RM122 million in 2020 from RM114 million during 2019. This actually has raised a big question mark towards the performance of the zakat collection specifically business zakat even though the performance of the businesses all around our nation is declining, but the zakat collection showing an impressive performance. This actually has illustrated the objectives of this research which is to firstly is to identify the importance of zakat during Covid-19 pandemic. Other than that is to analyze the factors that contribute to outstanding zakat business collection during pandemic Covid-19 in Zakat Collection Center Federal Territory Islamic Religious Council (PPZ –MAIWP) and last but not least to suggest the strategies that can be taken to enhance the Islamic corporate governance practice in Zakat Collection Center Federal Territory Islamic Religious Council (PPZ –MAIWP) (MAIWP, 2020).

The Covid-19 pandemic that suddenly hit Malaysia had a lot of impact on the country's economy, especially Small and Medium Enterprises (SMEs). SMEs plays vital role in enhancing national economy as they are the mainstay of the country's economy. This sector accounts more than two-thirds of the total employment in the country and nearly 40% to the economy (Wong et al., 2021). Not to mention that big companies also affected in this inferior and tragic of virus-spread.

The Department of Statistics Malaysia has conducted a Special Survey on the Impact of COVID-19 on Company and Business Firm from 10 April to 1 May 2020 during Phase 2 to Phase 4 of Movement Restriction Order (MCO). The survey covered 4,094 companies, with 43.4% being micro enterprises, 40.4% are small -sized businesses, 9.1% are medium -sized businesses and 7.2% are large firms. The results of the survey shown that more than two-thirds respondents (67.8%) reported no income during the period, while a small proportion

of 12.3% earn their sales revenue online and 9.8% still get their sales revenue through physical stores (Wong et al., 2021).

Focusing on financial resources, the majority which is 68.9% of the respondents depend on the savings for operating costs and working capital, while 19.8% depends on loans and 11.3% to capital injections. Not to mention in this difficult situation, more than half of the respondents reported that they would be able to survive for one to two months if their employees are on unpaid leave or paid half pay. Meanwhile, a quarter believe that they can last for three to six months and 4.7% stated that they could last more than six months. Respondent informed that the three main challenges they face are salary payments (76.6%); lack of business during PKP period (65.5%) and rent payments (61.4%) (Wong et al., 2021).

In alleviating their business problems, the majority of respondents (83.1%) stated that they need financial assistance or subsidies from the Government; 67.0% requires a reduction in company tax or other related taxes as well as 39.1% apply deferment of loan payments. In relation to the expected recovery of the business, a total of 42.5% of respondents state that they need more than six months for business to recover; 28.7% require four to six months; 17.9% expect between two to three months; 9.0% estimated less than two months while 1.9% is expected to close operations (Wong et al., 2021).

Despite of the Covid-19 havoc that has been affected the companies and most of the businesses, the collection of business zakat received by the Zakat Collection Centre Federal Territory Islamic Religious Council, PPZ MAIWP showed a significant increase (Awani, 2021). In reality, COVID-19 hit throughout 2020 results to many businesses to be shut down while individuals have lost their jobs. Hence logically, the collection of the Zakat Collection Center of the Federal Territory Islamic Religious Council (PPZ-MAIWP) must have declined last year. However, despite the pandemic, Allah SWT bestowed wisdom through awareness and repentance among Muslims to fulfill the obligation to pay zakat.

According to the Chairman of PPZ-MAIWP, Datuk Seri Syed Ali Alhabshee, the collection of institution recorded an increase of up to RM756 million in 2020 compared to RM682 million in 2019. In terms of numbers, the collection of income zakat by PPZ Federal Territory of Kuala Lumpur increased by 8% to RM511 million in 2020 compared to RM471 million previously, while business zakat was RM122 million from RM114 million for the same period. He said that this increase showed that more and more individuals, corporate companies and small and medium enterprises (SMEs) were paying their zakat (Rodzi, 2021).

Unfortunately, Datuk Seri Syed Ali Alhabshee said, the negative perspective on the zakat institution still a lot and this also caused some to have doubt in zakat collection and even question the corporate governance practice in zakat institution, specifically Zakat Collection Center Federal Territory Islamic Religious Council (PPZ -MAIWP) (Rodzi, 2021). Indeed, logically the collection of zakat will be decreasing align with the performance of the businesses both small and big businesses in this country. The performance of zakat collection and its distribution is questionable hence this has led to the study on factors that contribute to outstanding zakat collection during pandemic Covid-19.

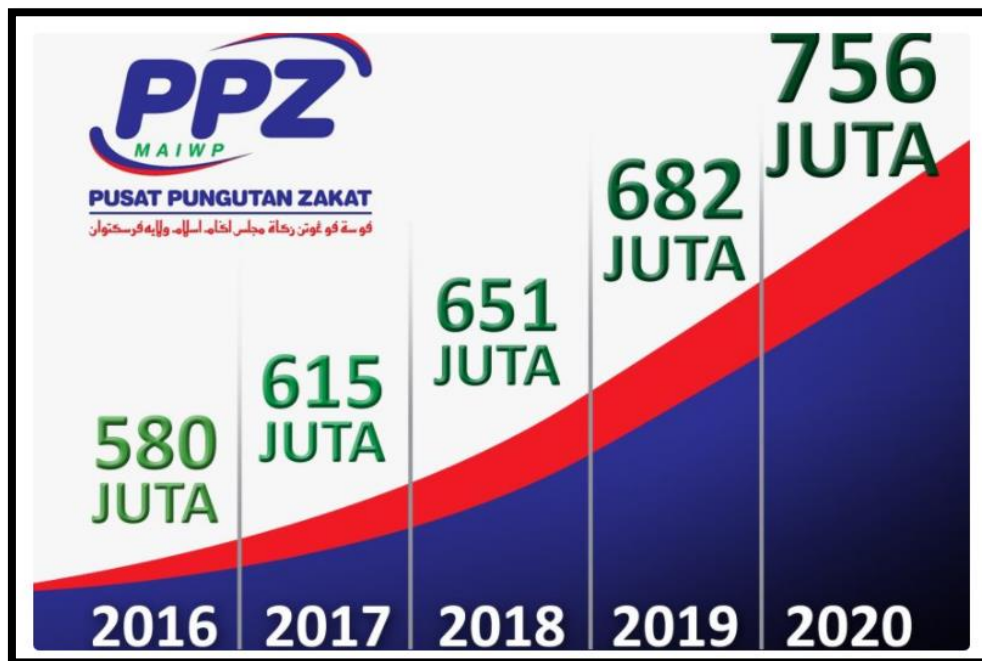


Figure 1.2: Zakat Collection between Year 2016 to 2020 at PPZ MAIWP

Source: Pusat Pungutan Zakat MAIWP report, 2020

Based on the above figure, the zakat collection under PPZ MAIWP had shown a significant increase which 682 million at 2019 to 756 is million at 2020 while all of us have known and acknowledge that 2020 is the worst year because of the virus-hitting which is Covid 19 to the world especially in Malaysia. Most of the companies started to show a significant decline and most of the businesses need to be shut down due to affected by this pandemic Covid-19 that seems endless. Not to mention that business zakat collection has increasing from 114 million to 122 million and this shows 78 million increment during the peak of Covid-19 in Malaysia (MAIWP, 2020).

Meanwhile, during the year of 2021, Collection of zakat by the Zakat Collection Center Federal Territory Islamic Religious Council (PPZ -MAIWP), increased by eight percent from January to June. PPZ-MAIWP Acting Chief Executive Officer, Abdul Hakim Amir Osman, said the total zakat collection received was RM387 million compared to RM357 million for the same period last year. He said that for 2020, the total amount of zakat received was RM756 million, an increase of 11 percent compared to RM682 million in 2019 (Rodzi, 2021).

Following to this issues, a research regarding factors that contribute to the business zakat collection during pandemic Covid-19 should be done in order to identify the importance of zakat business towards a country.

Methodology

Data collected from the sample can be either direct data or indirect data. Direct data include human to human interaction by interviews, observable body language, interaction, recordable spoken words and also verbally expression. Meanwhile, indirect data could be collected from existing sources such as by library research. In this study, the researcher is using both types of method which is direct method and indirect method. For direct method,

the researcher conducted an interview with two authorised people in Operation of Zakat Collection Department. Meanwhile, for indirect method the researcher used library research method to gather data an information from various reliable sources.

The researcher also using interview method to collect primary data. Interviews are considered as the prime method to gather information and it is the most common method in every qualitative research. The researcher is using semi-structured interview to collect data. Semi-structure interview essentially has an interview guide consisting a set of questions for discussion. The questions are illustrated primarily to ensure the research questions been answered by the respondents align with the research objectives. There are questions that have been set but the researcher is allowed for flexibility where the researcher could ask for additional questions from time to time during the interview session. The researcher could seek for clarification of the previous answers or might want the elaboration of responses.

There are two respondents and both of them are male. Both of them were age between 45 to 55 years old and willingly to be interviewed as long as the questions been given primarily before the interview been conducted. The researcher could observed that there was a mutual pattern in the interviewee's responses. Nonetheless there are certain points that both individuals have distinguished perspectives and ideas and all of the findings will be written in the analysis.

These two individuals are two people who works directly in the Operational Department of Pusat Pungutan Zakat MAIWP and their perspectives and ideas were extracted and elaborated accordingly.

Result

Zakat Collection Performance 2019 and 2020 at Pusat Pungutan Zakat MAIWP

The tables shows the statistical data regarding zakat collection performance between year 2019 and 2020 based on types of zakat in term of number of zakat payers:

Table 3.1

Number of Zakat Payers during 2019 and 2020

| Types of Zakat | Year 2020 | Year 2019 | +/- % |
|------------------|-----------|-----------|---------|
| Zakat on Income | 184, 170 | 168, 720 | +9.16 |
| Business Zakat | 4,583 | 3,116 | +47.08 |
| Zakat Mal | 6,374 | 552 | +13.59 |
| Qadha Zakat | 627 | 552 | +13.59 |
| Zakat on Savings | 21, 996 | 18, 813 | +16.92 |
| Others | 218, 496 | 36,761 | +494.37 |
| Total | 436,246 | 232,601 | +87.55% |

Source: Pusat Pungutan Zakat MAIWP Report, 2020

As we can see based on the table that has been portrayed, the business zakat collection is increasing up to 47.08% in term of numbers of zakat payers. Even though year 2020 and 2019 has struck the nationwide with Covid-19 viruses and the number of infections were accelerating, the number of business zakat payers were increasing gradually meanwhile logically it supposedly to be decelerated due to the worrying number of Covid-19 cases in our country, Malaysia.

Table 3.2

Total Amount of Zakat Collection during 2019 and 2020

| Types of Zakat | 2020 (RM million) | 2021 (RM million) | % |
|------------------|-------------------|-------------------|-----|
| Zakat on Income | 511.3 | 471.9 | 8 |
| Business Zakat | 122.9 | 114.0 | 8 |
| Zakat on Savings | 63.0 | 54.0 | 17 |
| Zakat on Wealth | 49.1 | 37.5 | 31 |
| Others | 8.9 | 3.8 | 133 |
| Q Zakat | 0.6 | 0.8 | -19 |
| Total | 756.0 | 682.2 | 11 |

Source: Pusat Pungutan Zakat MAIWP Report, 2020

As we can see based on the table above, business zakat illustrated the second highest amount of zakat collected during 2020 which is RM 122.9 million where the highest zakat collected by Pusat Pungutan Zakat MAIWP is Zakat on Income which is RM 511.3 million. Zakat on Income was handled by both Unit of Private Company and Unit of Government in order to collect the zakat on income. Business zakat is increasing gradually from RM 114.0 million in 2019 to RM 122.9 million during the year of 2020.

Table 3.3

Zakat Payer Based on Age during 2019 and 2020

| Age | 2020 (RM million) | 2019 (RM million) | % |
|--------------|-------------------|-------------------|----|
| 21-30 | 9.7 | 9.8 | -2 |
| 31-40 | 95.0 | 92.0 | 3 |
| 41-50 | 184.8 | 172.1 | 7 |
| 51-60 | 164.3 | 154.7 | 6 |
| 60 and above | 69.1 | 57.4 | 20 |

Source: Pusat Pungutan Zakat MAIWP Report, 2020

The above table illustrated the age category of 40 and above constituted the most zakat payers in Pusat Pungutan Zakat MAIWP during both year of 2019 and 2020 which is RM 172.1 million and RM 184.8 million respectively. Meanwhile the lowest contribution goes to people who age 21-30 which is RM 9.7 million in 2020 and RM 9.8 million in 2019.

Table 3.4

Business Zakat Payers from Business Entities during 2020 in Pusat Pungutan Zakat MAIWP

| | Mean | Maximum | Minimum |
|--------------------------------|----------|----------------|---------|
| Total zakat payment (RM) | 488, 381 | 6, 512, 500 | 22, 200 |
| | Quantity | Percentage (%) | |
| Types of Business | | | |
| Banking and Finance | 7 | 14 | |
| Private Listed | 23 | 46 | |
| Public Listed | 11 | 22 | |
| Corporation | 7 | 14 | |
| Enterprise | 2 | 4 | |
| Total Year of Operation | | | |
| 1-5 years | 4 | 8 | |
| 6-10 years | 6 | 12 | |
| 11-15 years | 5 | 10 | |
| 16 years and above | 35 | 70 | |
| Business Sector | | | |
| Utilities and Services | 1 | 2 | |
| Agriculture | 4 | 8 | |
| Properties | 2 | 4 | |
| Information Technology | 1 | 2 | |
| Manufacturing | 2 | 4 | |
| Retail | 3 | 6 | |
| Financial Services | 14 | 28 | |
| Others | 23 | 46 | |

Source: Akademi Zakat Pusat Pungutan Zakat MAWIP, 2021

The above table illustrates the information of business zakat payers from business entities during year of 2020. The maximum amount of zakat that has been paid is RM 6, 512, 500 and the minimum is RM 22, 200. We can see that the highest contribution of business zakat payers among business entities are the private listed companies which contributes up until 46% of the business zakat payers among business entities.

The Factors that Contribute to Outstanding Business Zakat Collection in Pusat Pungutan Zakat MAIWP

Table 4.0

The Factors that Contribute to Outstanding Business Zakat Collection in Pusat Pungutan Zakat MAIWP during Covid-19

| Interview Extract | Factors |
|---|-----------------------------------|
| <p>First and foremost is the self-awareness and self-taught within the zakat payer. They have their own motivation to pay zakat because they see this disaster which is the Covid-19 pandemic given so much impact to our world and people will subsequently thought of doomsday and the Greatness of Allah Azza Wajalla. From that, they themselves have their own motivation and they realize that zakat is obligated to be paid and not only zakat fitrah but also zakat on their wealth included the zakat on business.</p> | <p>Self-awareness</p> |
| <p>The PPZ efforts itself. We need to give them a very clear and understandable knowledge in zakat on business because not all people know about zakat on business yea. All Muslims know there are zakat fitrah during Hari Raya but zakat on business? Not all people know. So we as the da'wah agents by hook or by crook must educate those business man and entrepreneurs regarding zakat on business. So we did lots of programs both physically and virtually to spread the awareness. Then, after the program, we must do follow up in term of several mechanism of reminders such as via telephone call, via email and face to face though.</p> | <p>Zakat Institutional effort</p> |

| | |
|--|---|
| <p>Because there are lot new business man and entrepreneurs during this Covid-19 pandemic. The government has given numerous of initiatives such as Kuala Lumpur City Hall (DBKL) is now giving permission to city dwellers to open stalls or small businesses in any suitable area in the city starting this Sunday. However, the Minister of Federal Territories, Tan Sri Annuar Musa said, traders need to apply for a temporary business license valid for six months on the DBKL website which is offered for free. So there will be lots of people that grab this opportunity to start running their business. Other than that is Covid-19 Special Assistance that has been issued in 2020 and this is one of MAIWP's efforts to help ease the burden of the public following the Movement Control Order (PKP) due to the spread of the COVID-19 pandemic.</p> | <p>Lot of new entrepreneurs</p> |
| <p>The main factor that influences entrepreneurs to pay zakat is not formal is about satisfaction on distribution and management efficiency zakat. The results of previous studies prove that the feeling of satisfaction with the management of the zakat center is positively related to the payment of zakat to the institution formal. Distrust of the institution of zakat especially in the aspect of transparency of distribution as well as inefficiency of zakat management resulting in non -compliance. This means, satisfied fasting the heart plays a role in determining the place where zakat is paid made. The more satisfied the individual is with the management of the zakat center the more high degree of compliance to pay zakat to the zakat center. The institutional factor of zakat is also significant in influencing entrepreneurs pay business zakat. So yes, that's it.</p> | <p>Satisfaction on distribution of zakat management</p> |

Based on the table illustrated above, the interviewees have stated that among significant factors of outstanding business zakat collection is first and foremost the self-awareness within the zakat payers itself. This type of zakat payers are very easy to be

discussed regarding the obligation of business zakat. Not to mention that Zakat Institutional effort is one of the crucial impact on the business zakat collection during the midst of pandemic era. The respondent has stated that all of the business zakat department staffs break their legs to enhance the amount of collection by accelerating the effort in collecting business zakat. Other than that is the outstanding business performance among entrepreneurs during pandemic. For instance, PHARMANIAGA business that makes lots of income during Covid-19. Other significant factor is that the satisfaction on distribution of zakat management. People will be highly confident to pay zakat to that particular zakat entity (Wahab, 2021).

Conclusion

In conclusion, zakat on business is the second largest contribution of zakat in our country, Malaysia as the contribution comes with a big amount of number. Nonetheless, the business zakat payers is still lacking to be compared to the total amount of business entities to the total amount of business entities in the country specifically in Federal Territory Kuala Lumpur. The result shows that among factors that contribute to outstanding business zakat during the midst of pandemic is self-awareness that the zakat payers had, the effort of zakat institution, the highly good performance of business activities for certain business entities such as medical products and essential services. Not to mention that high spirit of helping others also contribute to the acceleration of business zakat collection.

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