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## THE ROLE OF ZAKAT IN RISK MANAGEMENT FOR THE POOR

The experience of Selangor Zakat Centre

### Introduction:

*All praise be to Almighty God, Lord of the Universe, and may peace and blessings be upon His final messenger Muhammad, and upon his companions, his family and all those who follow Clear Guidance until the Last Day.*

Zakat is an empyreal system and law set up by the Almighty God as the creator of human beings and which is closely linked in Islam to social equality. Zakat is a balance of vital needs between people in a given society. Zakat is also an intermixture between the present life responsibilities and the hereafter, between the care and attention shown by the rich and their role towards poor and needy people.

The Zakat system is as clear as its obligation as God says in the Holy Koran

*"And be steadfast in prayer; practice regular charity; and bow down your heads with those who bow down (in worship)" Surat El-Baqara 43*

The precepts of the Almighty God concerning the Zakat were repeated 32 times in the holy Koran that shows how important and how compulsory this practice is in Islam. Zakat's development and performance process was absolutely clear during the glorious past Islamic ruling, and this was made possible thanks to the resourcefulness and the rapidity of Zakat gathering and collection as well as to the awareness of the society of their obligations concerning the importance of paying and performing the Zakat.

Thanks to God, currently we can find several authorities that try to make Zakat something compulsory, and essential, and whose constant aim is to develop and promote the Islamic society.

Malaysia is one country among others that started to take the necessary steps. The aims behind these steps are to find and establish Zakat gathering and collection centres, which are run on a high level and on a professional basis.

### Development of the Zakat collection and distribution centre in Malaysia:

All matters and transactions related to Islam are performed and administered under the supervision of the relevant government of every state (state's government) through the independent religious affairs council for every state.

Therefore, every state in Malaysia has its own independent religious affairs council which performs and manages specific matters and transactions relative to Islamic issues. The Zakat Centre is one of its relevant administrative department and under the jurisdiction of the state's independent religious affairs council.

In some other Malaysian states, private companies and enterprises related to the religious affairs council were established to collect and gather the Zakat such as in the

federal states of Kuala Lumpur, Selangor, Malacca and Pahang.

The purpose of establishing such Zakat collection centres is to eradicate complex routine administrative issues and matters as well as to contribute in the performance of Zakat management and distribution.

However, some states are still self-managed as far as Zakat management and distribution are concerned via some departments or organisms specially established under the supervision of the state's religious affairs council named "Beit El Mal" or "Zakat Department".

The results and abilities of Zakat management start to become clear and evident through companies and enterprises specially established under the supervision of the state's religious affairs council compared to what is called "Beit El Mal" or "Zakat Department" in collecting and distributing the Zakat.

Some of these centres play a role of collecting Zakat only and perform their roles for administrative purpose in collecting and gathering the Zakat such as for the federal state of Kuala Lumpur Zakat Centre, Malacca Zakat Centre and Pahang Zakat Centre. Whereas, the Zakat distribution task is still carried out and managed through "Beit El Hekma Department" "Beit El Mal Department" or "Zakat Distribution Department" in the state's religious affairs council.

## Selangor Zakat Centre

It was established on February 15th, 1994 and registered as Selangor religious affairs council Zakat Company Ltd. and abbreviated as 'MAIS ZAKAT SDN BHD'.

The Selangor Zakat Centre started its activities in October 1995 with eight employees and in 1998, this centre was empowered with the responsibility to administer the Zakat Distribution Department. In 1999, the Selangor Zakat Centre obtained and was awarded the International Quality and Norms Certificate.

Currently, Selangor Zakat Centre employs 184 employees who are working on a permanent basis, has 20 branches and centres for collection of the Zakat and has 10 representing agencies in collecting the Zakat such as the Malaysian Post, The Malaysian Commercial Banks and many others.

### Administrative organization chart of the Selangor Zakat Centre (see Annex 1)

What is noticed from a first sight to this administrative organization chart of the Selangor Zakat Centre is that it is a company and an enterprise managed on a commercial and professional basis by and under the supervision of highly qualified and experienced officers and executives.

Several departments and services were established within the Selangor Zakat Centre to fulfil the company's ambitions to reach the highest level and to make sure that all operations, matters and plans are strictly organized and performed on an intensive basis.

We would like to wish them honesty, righteousness and devotion in their work and may the Almighty God bless them all so as to promote and develop the Zakat as an essential and important issue for the improvement and development of the Islamic nation.

1 MYR = 0.264 USD

## Total of the collected Zakat under the supervision of the Selangor Zakat Centre

The collection of Zakat level in the state of Selangor reveals a high and noticeable increase since it has been managed on a commercial and professional basis.

Year	Total of payers	Amount collected
2000	23,295	39,966,873
2001	37,673	55,160,808
2002	46,860	79,018,564
2003	58,061	86,280,197
2004	79,550	107,041,894

## Zakat Distribution

It is compulsory in Islam, as far as Zakat collection and gathering are concerned, to be distributed to those who really in need and who belong only to these eight categories mentioned in the Holly Koran in the following Surat:

*“The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarer; a duty imposed by Allah. Allah is Knower, Wise.”*  
Surat At-Taubah 60

It should also be noticed that the rights of the above mentioned eight categories are granted through and under the supervision of the Selangor Zakat Centre.

This working paper focuses more on the manner how to manage the menaces for a specific category of poor and how to manage it through Zakat payments and it is no doubt that the lives of these poor people not only need care and attention, and a well organised planning to face potential dangers that they could encounter in the future, but also to relieve them from the poverty they are enduring and to prevent the forthcoming generation to live in such a condition.

In order to eradicate this constant poverty problem and sufferance, the Selangor Zakat Centre designed several plans for the forthcoming and expected helps so as to build a better future and a better life for poor.

These distributed helps and aids can be seen in the following table:

## Table of Zakat distribution to poor under the supervision of the Selangor Zakat Centre

Year	Zakat distribution to poor
2000	4,820,230
2001	12,963,229
2002	17,335,047
2003	26,574,266
2004	31,019,159

Table of Zakat distribution to poor starting from January to March 2005:

Distribution type	March	February	January	Total
Aid presents	000	000	14,295	14,295
Building urban areas	102,031	231,770	35,233	369,036
Poor wealth	000	000	000	000
Aid present distribution to poor orphans	000	000	000	000
Administration of a sewing plant	33,722	84,235	24,171	142,129
Medical help	16,837	19,549	14,439	50,826
Building houses to individuals	272,700	197,226	589,450	1,059,376
House renovation	100,000	41,000	43,000	184,000
House renting aids	5,320	22,330	14,140	41,790
Adventitious aids	12,218	26,893	2,835	41,946
Monthly financial aids	498,800	539,920	99,250	1,137,970
Collective Takaful membership	1,840	41,502	4,632	44,294
Celebration of Muslims' feasts	18,245	47,210	35,064	100,519
Funeral expenses	000	1,000	970	1,970
Electrical aids	64,350	22,500	50,500	137,350
Aids as capital for commerce	48,000	24,000	121,570	193,570
Aids as capital for fish breeding	4,300	19,000	28,000	51,300
Aids as capital for agriculture	5,500	1,550	3,000	10,050
Aids as collective capital	6,750	2,440	6,742	15,932
Monthly food aids	182,758	44,032	106,381	333,172
Skills learning aids	14,428	9,317	10,001	33,747
Training sessions	41,754	15,443	57,240	114,438
Scholar fees aids	33,790	171,677	180,948	386,415
Education fees aids	24,461	73,903	172,647	271,012
Scholar prizes	131,463	95,596	65,416	292,476
Total	1,615,591	1,732,098	1,679,930	5,027,621

Through the aids and assistance mentioned before, the poor become capable of improving their life condition and skills in order to build up a better prosperous future.

While working towards that end, they are still subjects to unexpected external dangers such as accidents, fires, diseases and deaths.

In order to preserve the standard of stability in living condition for the families and dependents of the poor, the people responsible of Selangor Zakat Centre with the cooperation of Takaful dealers and employers have prepared a plan (made up to suit the condition and the needs of the poor) to face risks.

## The Collective Family Takaful Plan

Islam requires from his followers correct and safer planning for a happy life on earth especially from people who have families with children and spouses. It is obvious in the following verse of the Holy Koran:

*“(In the case of) those of you who are about to die and leave behind them wives, they should bequeath unto their wives a provision for the year without turning them out, but if they go out (of their own accord) there is no sin for you in that which they do of themselves within their rights. Allah is Mighty, Wise.” Surat El-Baqara 43*

Taking into consideration wisdom, wakefulness and comprehension, planning to face dangers is highly important for the care takers of the poor. The people responsible for Selangor Zakat Centre have made a convention/agreement of cooperation with the dealers and Takaful companies such as Takaful Malaysia Ltd and Ikhlas Takaful Company Ltd and aim to make known the plan of protection and social security for the poor.

Selangor Zakat Centre with the consent of the poor prepared a budget for them. It has been done through a monthly deduction from their monthly payments. That money is deposited in the Collective Takaful Fund.

Concerning the new cooperation between Selangor Zakat Centre and Ikhlas Takaful Company Ltd, the new convention/agreement of cooperation which was signed on 28 April, 2005 includes the following articles:

1. FUND NAME: THE COLLECTIVE AND INTENSIVE TAKAFUL FUND.

The Collective and Intensive Fund (Ikhlas) has developed with the factor and principle of high benefit, benefits of protection and total care with a low monthly deposit. This special feature has attracted the subscribers who are actually longing for a better life in the future.

2. MONTHLY SUBSCRIPTION

20 Malaysian Ringgit (USD 5.296)

3. AGE ACCEPTED

18 to 54

Table of total benefits

Total benefits (Malaysian Ringgit)	Benefits	
24,000	Normal Death Benefit	
48,000	Death Benefits in case of Accidents	
24,000	Benefits for the Total Loss of Capabilities for life due to Normal Cause	
48,000	Benefits for the Total Loss of Capabilities for life due to Accidents	
20 a day	Hospitalization Benefits	
48,000	Permanent Partial Disability due to Accidents	
24,000	Difficult Illnesses	
32.9 % of the monthly subscription	Savings	
600	subscriber	Obsequies expenses
600	Husband/wife	
300	Children (3)	

## Takaful Fund Benefits

### Normal Death Benefit

In case of normal death, the total sum of the security amount is paid to the subscriber's inheritors or to the closest of his family members.

### Death Benefits in case of accidents

If a subscriber dies in an accident, a double sum is paid to his inheritors or to the closest of his family members depending on the total sum of the security amount.

## Benefits for the Total Loss of Capabilities for life (Total Permanent Disability) due to Normal Cause:

In case a subscriber has lost his total capabilities for life due to a normal cause, he is paid 10 times the amount of his annual deposit as a total security.

## Benefits for the Total Loss of Capabilities for life due to Accidents:

In case a subscriber has lost his total capabilities for life due to accidents, he is paid the total amount for security.

## Difficult Disease Benefits (Critical Illnesses Benefits)

In case a subscriber suffers from one of the 40 listed diseases, he is entitled to full security as compensation.

## Funeral Expenses Benefits:

In case of death, the funeral expenses are paid to the subscriber's inheritors or one of his family members.

## Hospitalization Benefits:

A subscriber is paid on a daily basis once admitted at a hospital for treatment.

Takaful Fund includes security and deposit for the benefits of the poor. It operates indirectly because if the head of the family happens to have an accident whatsoever, they can find a security plan and care.

Children of the poor will be given a good chance for security and care plan and this will make them love depositing.

This fund helps the poor and inheritors at crucial times and the total security aids taken from the Deposit Fund will assist towards that end.

## Recommendation

### Education Takaful

It is possible to widen the scope of the caretaking. As a matter of fact, subscriber's children can also enjoy the benefits through collective Education Takaful.

Thanks to deposit, a special and independent fund for education and teaching will be set up for those children so that they can continue their further studies.

### Zakat as a basic and fundamental feature.

Zakat should be an important and fundamental feature of Muslim Countries. This can happen through the creation of an Income Section within the State Income Department which collects taxes. Therefore, various forms of aids can be delivered to those who need it by Zakat Collection under the control of a central administration.

## Conclusion

This fund can be carried out and worked out through Zakat Collection Centres because the total number of contributions and subscriptions is suitable for the level and living standards of the subscribers.

The Muslim World should reconsider the importance of Zakat companies in order to help the poor cope with life burdens. In this context, the creation of Selangor Zakat Centre in Malaysia has changed the way, the form and the standard of their living. Hence, not only have the poor received aids for their life but also benefited from the Care and Security Fund.

The success and Ijtihad (hard work) of Selangor Zakat Centre can be a perfect example for the Muslim World. In fact, Zakat companies can deal with the businesses and needs of the Muslim Nation such as assisting the poor and the needy.

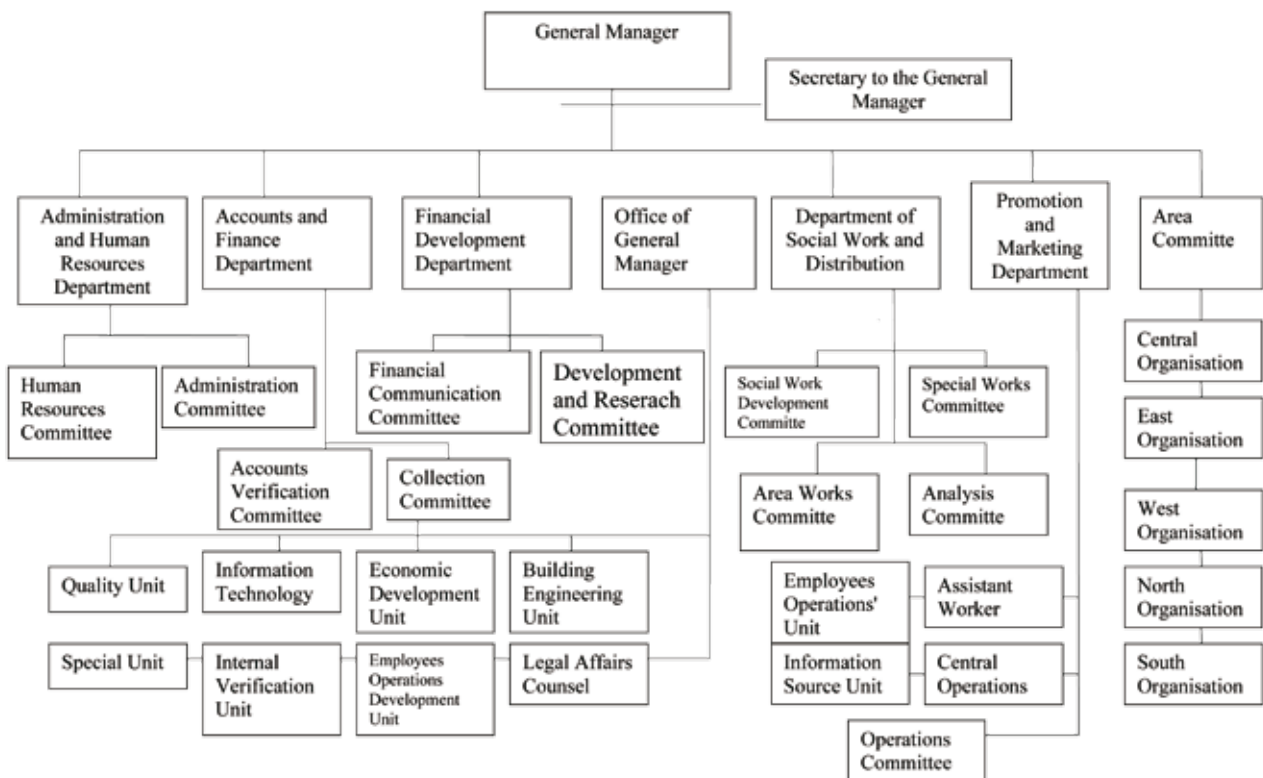
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## Annex 1



If you would like more information on ICMIF and its services to the takaful sector, please contact Sabbir Patel ([sabbir@icmif.org](mailto:sabbir@icmif.org)), or visit [www.takaful.coop](http://www.takaful.coop).

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