UNIVERSITI PUTRA MALAYSIA

ROLE OF ZAKAT IN POVERTY REDUCTION IN KELANTAN, MALAYSIA

AHMAD FAHME BIN MOHD ALI

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ROLE OF ZAKAT IN POVERTY REDUCTION IN KELANTAN, MALAYSIA

By

AHMAD FAHME BIN MOHD ALI

Thesis Submitted to the School of Graduate Studies, University Putra Malaysia, in Fulfillment of the Requirement for the Master Degree

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TO MY PARENTS
HJ MOHD ALI BIN ISA
AND
HAJJAH NORIAH BINTI AWANG SOH
Who did more than I could to them

ESPECIALLY

TO MY BELOVED WIFE
RODZIAH BINTI MD. DAUD
who is always there for me
in my happiness and pain
You are all my heart and soul

TO MY BELOVED SIBLINGS
MASLIZA HANUNI, SITI NURADNI, SITI MUNIRAH AND AHMAD
FIRDAUS
lending me a helping hand
and a shoulder to lean on
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Chairman:  Zaleha binti Mohd Noor, PhD
Faculty :  Economics and Management

This study attempts to examine the effectiveness of monthly zakat distribution as a mechanism to poverty reduction in the state of Kelantan. The target population of this study is the fuqara and masakin categories of the Majlis Agama Islam Kelantan (MAIK) zakat recipients. Simple Random sampling procedure is applied to collect primary data related to zakat recipients from the poor and needy category of the ten districts of Kelantan. Poverty maps are derived based on the collected data. These facilitate an examination of the most affected area of poverty within the context of selected socio economic variables.

The effects of zakat distribution on poverty are analyzed within the context of burden of poverty; specifically in terms of incidence, intensity and severity of poverty. These are examined using four major indices of poverty, which include the Headcount Index, Average Poverty Gap, Income Gap and Sen Index. The poverty incidence will be measured by
using the headcount index that measures the ratio of people living below the poverty line compared to the total population. The Income Gap ratio and Poverty Gap Index will be used to measure the extent of poverty. These poverty measures give a more informative picture about how deep poverty is than the headcount index. It is obtained by multiplying the poverty headcount index by the ratio of the difference between the poverty line and the average income of the population living under the poverty line expressed as fraction of the poverty line. Finally, the Sen Index is used to measure the severity of poverty because it provides adequate information on the exact income distribution among the poor. Sen Index incorporates all the information on the number of poor, the extent of poverty short-fall per person and the income distribution among the poor as well.

The analysis reveals that zakat distribution reduces poverty incidence, reduces the extent of poverty and lessens the severity of poverty. However, the current practice of zakat distribution in Kelantan only gives a small effect on increasing the income of the poor. Hence, by locating the perfect amount of zakat distribution to eliminate poverty and to offer alternative zakat distribution model is the best way in reducing the income inequality and maximization of social welfare. The best model of zakat distribution identified is based on had-kifayah. The above findings together with the identification of the group most affected by income inequality and poverty will pave the way towards policies for a more effective and efficient utilization of scarce zakat resources.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan Ijazah Master Sains

PERANAN ZAKAT DALAM MENGURANGKAN KEMISKINAN DI KELANTAN, MALAYSIA

Oleh
AHMAD FAHME B. MOHD ALI

Februari 2011

Pengerusi : Zaleha binti Mohd Noor, PhD
Fakulti : Ekonomi dan Pengurusan


Kesan pembahagian zakat di dalam mengurangkan kemiskinan dianalisis dalam konteks beban kemiskinan meliputi kadar kemiskinan, jurang kemiskinan, dan tekanan kemiskinan. Ini akan dianalisis menggunakan empat indeks kemiskinan yang utama, iaitu Headcount Index, Average Poverty Gap, Income Gap dan Sen Index. Bagi

Analisis dari kajian ini menunjukkan bahawa pengagihan zakat mampu mengurangkan masalah kemiskinan dengan mengurangkan kadar kemiskinan, mengecilkan jurang kemiskinan dan seterusnya berjaya mengurangkan tekanan kemiskinan dalam masyarakat. Namun kesan kaedah pembahagian zakat di Kelantan pada waktu sekarang hanya memberi kesan yang kecil meningkatkan pendapatan golongan miskin. Oleh yang demikian dengan mengenalpasti jumlah pembahagian zakat yang sepatutnya dan cara pembahagian zakat yang lebih efisen, adalah cara yang terbaik bagi mengurangkan ketidakseimbangan agihan pendapatan dan meningkatkan kebajikan sosial masyarakat. Hasil kajian mendapati bahawa bentuk agihan yang memberi kesan terbaik dalam mengurangkan ketidakseimbangan agihan pendapatan dan
meningkatkan kebajikan sosial masyarakat adalah berdasarkan *had-kifayah*. Dapatan di atas, berserta maklumat dari peta kemiskinan yang dapat mengenal pasti kumpulan yang sangat terancam dengan ketidakseimbangan agihan pendapatan dan kemiskinan ini akan membantu ke arah penggubalan dan pelaksanaan polisi yang lebih berkesan dalam menggunakan dana zakat yang terhad.
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Last but not least, to all my family, my brothers and sisters who have given me continuous support and encouragement, thank you for all the support and prayers. May Allah bless all of us.
This thesis was submitted to the Senate of University Putra Malaysia and has been accepted as fulfillment of the requirement for the degree of Master Science. The members of the Supervisory Committee are as follows:

**Zaleha binti Mohd Noor, PhD**  
Senior Lecture  
Faculty of Economics and Management  
Universiti Putra Malaysia  
(Chairman)

**Suhaila binti Abdul Jalil, PhD**  
Senior Lecture  
Faculty of Economics and Management  
Universiti Putra Malaysia  
(Member)

**Zakariah Abd Rashid, PhD**  
Professor  
Executive Director  
Malaysia Institute of Economic Research  
(Member)

---

**HASANAH MOHD GHAZALI, PhD**  
Professor and Dean  
School of Graduate Studies  
Universiti Putra Malaysia  

Date:
DECLARATION

I declare that the thesis is my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously, and it is not concurrently, submitted for any other degree at UPM or at any other institution.

AHMAD FAHME BIN MOHD ALI

Date: 16 February 2011
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