

The Role of Zakat in Reducing Income Inequality Among Muslim Society in Selangor

Mohd Faizan Mohd Afandi¹, Muhamad Izmul Nizam Zubairi², Maryam Jameelah Hashim³ and Mohd Rahim Khamis^{4*}

^{1,2}Arshad Ayub Graduate Business School, UiTM Shah Alam, Selangor

^{3,4}Senior Lecturer, Faculty of Business and Management, UiTM Puncak Alam, Selangor

Email Address: rahim474@uitm.edu.my

* Corresponding Author

Abstract

In the Muslim community, zakat has been acknowledged as a vital strategy for combating poverty and income disparity. Zakat plays a critical role in bridging the income gap between the privileged and the poor. This study has opted to elaborate on their previous discussion of the significance of zakat in reducing income disparity in the Muslim community of Selangor. The purpose of this study is to determine the role of zakat as a tool for reducing income inequality in Selangor's Muslim society. Structured questionnaires were distributed to zakat recipients in four Selangor districts: Kuala Selangor, Petaling, Hulu Langat, and Klang. According to the Lembaga Zakat Selangor (LZS) data, these four districts have the highest number of zakat receivers in Selangor. Income data were obtained from zakat recipients both before and after they received zakat assistance. The effect of zakat distribution on zakat recipients' income was measured using the Lorenz Curve and Gini Coefficient. According to the results of the Lorenz Curves and Gini Coefficient, zakat has significantly reduced income inequality. The findings revealed that zakat institutions must take prompt policy action to boost their distribution channels to beneficiaries. This study may add knowledge to the literature because there has been little research on zakat and income disparity. Therefore, suggestions for future research to ascertain the factors that contribute to the success of zakat distribution.

Keywords: Inequality, Zakat, Lorenze Curve, Gini Coefficient

Introduction

Zakat is a mechanism within the Islamic economic system with the primary objective of reducing income inequality and poverty within the Muslim community. According to Bakar and Ghani (2011), zakat is also critical in resolving issues of social justice and welfare, as well as stabilising the economy of Muslim societies. The effectiveness of zakat distribution is demonstrated by the income disparity between rich and poor. Ibrahim, Muridan, Ali, and Yazid (2020) previously demonstrated the effectiveness of zakat distribution in reducing the society's income inequality. Ramli and Ibrahim (2010) support this assertion, stating that the zakat distribution practised by the zakat institution has been effective in eradicating poverty and income inequality in society. While the amount of zakat collected and distributed each year increases, poverty and income inequality continue to exist in Muslim society. According to Johari, Aziz, and Ali (2014), the current tradition of zakat distribution in Selangor has a negligible effect on increasing the income of the poor and needy.

Zakat collection and distribution, have been increasing between 2015 and 2019 (Lembaga Zakat Selangor, 2020). The increase in zakat collection is a result of the variety of zakat payment platforms. Rather than going to the zakat counter, individuals can easily make zakat

payments online. By incorporating technology and digitalization into the zakat institution, we can increase zakat collection and make it easier for people to fulfil their specific obligation. In Malaysia, the administration of zakat funds has undergone a dramatic transformation, shaped by the adoption of market-based management practises and the exponential growth of collection and distribution. Meanwhile, zakat distribution to recipients increased because of the increased allocation for the poor and needy relative to other categories of zakat recipients. Despite an increase in the amount of zakat distributed to eligible recipients, income inequality and poverty continue to exist in society. This is due to an income disparity between rural and urban areas in Selangor. According to the Department of Statistics Malaysia, absolute poverty increased by 1.2 percent in 2019 and relative poverty increased by 15.3 percent. This is because of the disparity in income distribution between Selangor's administrative districts, which may result in poverty.

Table 1: Statistic of income distribution & absolute poverty rate by the district in Selangor

Location	Area	Average Income	Absolute Poverty Rate
Urban Area	Gombak	RM 11,536	0.4%
	Klang	RM 9980	1.7%
	Hulu Langat	RM 8361	0.6%
	Petaling	RM 8993	1.1%
	Sepang	RM 12, 254	0.7%
	Rural Area	Kuala Langat	RM 8375
	Kuala Selangor	RM 7866	3.5%
	Kuala Langat	RM 8375	2.4%

Table 1 summarises income distribution statistics and the absolute poverty rate for several districts in Selangor. The data is divided into urban and rural areas. In general, urban areas have a more equitable distribution of income than rural areas. This situation results in a higher rate of absolute poverty in rural areas than in urban areas. Income inequality occurs because of the rural population's inability to generate income. This situation occurs in the context of zakat when zakat recipients do not fully utilise their zakat funds to generate additional income. It is necessary for the advancement of the standard of living and the expansion of people's capacity to produce goods and services (Sarif & Kamri, 2009). Rural areas lack infrastructure and employment opportunities. Zakat recipients are not educated on how to maximise their income from the zakat fund.

Thus, it is the role of zakat to provide programs and opportunities for employment that will enable them to earn a greater income from zakat funds. To address this issue, the zakat institutions responsible for its administration should provide incentives to eligible zakat recipients, particularly the poor and needy. Zakat is distributed in two ways: directly and indirectly. Direct distribution, also known as assistance in the form of cash, is provided to those who are disadvantaged due to their inability to work due to ill health. Meanwhile, indirect distribution refers to programs that assist recipients in self-sufficiency in terms of capital, equipment, and training that enables them to run businesses that meet their basic needs and avoid poverty (Bakar & Ghani, 2011).

Even though Selangor's zakat distribution performance has improved, poverty persists in rural and urban areas. This situation is a result of the zakat funds being mismanaged by zakat institutions to meet the basic needs of the poor and needy. According to Othman and Noor (2012), issues such as bureaucracy and ineffective identification of potential recipients may contribute to the ineffective distribution of zakat. Occasionally, people find it difficult to engage with the zakat institution due to the bureaucracy, particularly the lengthy waiting period. This situation occurs because of time-consuming procedures such as filling out the registration application and sitting through the lengthy interview session (Ahmad, Othman &

Salleh, 2015). The poor and destitute frequently seek and receive financial assistance from other religious organisations. Rather than being powerless, the poor and needy are willing to convert to other religions to obtain necessities. Once again, the zakat institution is criticised for its inability to identify potential recipients in rural areas. To overcome ineffective management, the zakat institution should enhance the quality of zakat management services. They are advised to adjust their methods for determining new potential zakat recipients to ensure that eligible recipients receive zakat assistance.

Additionally, the zakat institution should upgrade its services for filtering and processing zakat aid applications to reduce waiting times. Additionally, if the zakat fund is distributed in a systematic manner, it may serve as an opportunity for zakat recipients as part of the effort to assist them in becoming economically productive recipients. The most critical concept is that zakat funds can help recipients escape poverty, reduce income inequality, and improve their standard of living, particularly in rural areas. However, the recipients of zakat cannot achieve the objective of zakat if they lack the awareness necessary to develop their potential. Even if the distribution of zakat is increased, their failure to fully utilise the zakat fund may result in poverty and an inability to eradicate income inequality in Muslim society. To address this issue, the zakat institution should monitor recipients on a continuous basis by contacting and visiting them to keep track of their self-development. The zakat institution should increase motivational sessions and other related activities that educate members about the importance of increasing revenue from zakat funds. As a result, the purpose of this study is to ascertain the role of zakat as a mechanism for reducing income inequality among Selangor's Muslim community.

Literature Review

Zakat and Its Role to Reduce Income Inequality

Zakat and its role in reducing income inequality have been extensively discussed in previous research. The concept of zakat, according to Johari, Aziz, and Ali (2014), is inextricably linked to the welfare of zakat recipients. Zakat recipients will benefit from the assistance by generating income to meet their basic needs. Additionally, in an Islamic economic system, the wealthy will donate their excess income to the poor through zakat. This situation promotes income mobilisation within the economic system to reduce income inequality.

According to Wahid and Kader (2010), zakat will distribute wealth to avoid community inequality. This is because the zakat philosophy itself entails the redistribution of wealth from the wealthy to the poor and needy. Zakat will increase capacity for production and generate additional revenue, thereby reducing income inequality. Ibrahim (2006) substantiates this statement by stating that zakat not only ensures social justice but also mobilises and makes resources available to the poor. This situation is consistent with the Quran's teaching in Surah al-Hasyr verse 7, "*This wealth shall not circulate exclusively among you the wealthy.*" This verse indicates that Islam promotes the distribution of wealth from those who can pay zakat to those who are eligible to receive zakat.

According to Ibrahim (2015), for the zakat institution to continue reducing income inequality, it must accomplish two critical goals. The first objective is equitable distribution to the poor and needy, which could result in sound economic development opportunities. This is because earning a sufficient income enables them to meet their basic needs, thereby improving their quality of life. They will then be able to increase their purchasing power, resulting in an increase in Gross Domestic Product (GDP). Although zakat's contribution to GDP is negligible, it continues to play a critical role in providing necessities and social survival to marginalised groups (Othman & Noor, 2012). The second goal is to ensure that positive changes occur in response to growth and inequalities. Ibrahim (2006), who believes that zakat distribution can be used to bridge the income gap between the poor and needy and to promote

social well-being, concurs with this objective.

Zakat has aided in the reduction of income inequality in Muslim society. Income inequality can result in poverty. Income support for the poor and needy would result in a measured expansion of the economy's money supply, resulting in an upward shift in demand for goods and services. To address this issue, the zakat institution employs a variety of zakat distribution methods. One of them is through the provision of working capital to productive zakat recipients. As an alternative approach to poverty reduction, a theoretical model of zakat based on Islamic Microfinance Institutions (MFIs) has been developed (Possumah & Ismail, 2011). MFIs will operate based on the brotherhood concept. This concept is composed of three components. The first component is a joint liability contract, which has the potential to lower transaction costs. The second component is a decentralisation policy that ensures that zakat funds continue to be distributed to benefit underprivileged Muslims. The third component is that zakat funds will be used to provide capital to the poor and needy, enabling them to grow their own businesses. They could then afford to repay the loan without incurring interest once they established their own source of income. The three factors outlined above demonstrate that zakat is critical for increasing income generation among the poor. Microfinance is supported by a study by Riwayatanti (2013), which asserts that Islamic microfinance is a critical mechanism for eradicating poverty among the poor and needy by promoting social justice for all through more humane financing. Microfinance and zakat funds combined will make it easier for the poor and needy to break free from poverty.

There are numerous debates among Islamic scholars regarding the feasibility of issuing interest-free loans to zakat recipients using zakat funds. According to Ibrahim & Ghazali (2014), zakat funds can be used to provide eligible recipients with an interest-free loan. If the borrower dies and his heirs are unable to repay the debt, the remaining balance will be amortised using zakat funds for the benefit of those who are unable to repay the debt (gharimin). However, according to Imam Malik, Imam Shafi'e, and Imam Ahmad, all outstanding loans must be repaid using the borrower's assets. If inheritance is insufficient to cover the debt, the unpaid debts are classified as bad debts. However, they all agree that in Islam, bad debts will be resolved using zakat funds. Additionally, they disclose that zakat 18 funds may be used to provide financial assistance to the poor and needy in the form of an interest-free loan to low-income earners.

Additionally, rather than providing capital to eligible recipients directly, zakat funds are used to assist in non-direct distribution. For instance, Bank Islam Malaysia Berhad (BIMB) has established the i-TEKAD scheme to assist B40 micro entrepreneurs and zakat recipients affected by the Covid-19 pandemic. The zakat fund will be used to acquire the necessary tools and equipment for eligible recipients. Collaboration with selected implementation partners such as State Islamic Religious Councils, government agencies, and non-governmental organisations is a requirement of this scheme. Through this collaboration, eligible recipients will receive structured entrepreneurship and financial management training to enhance their knowledge and skills. According to Bank Islam, the first phase of the programme is expected to benefit 100 recipients by the end of the year through the provision of RM 300,000 in zakat funds.

According to Lembaga Zakat Selangor (2020), zakat institutions have provided various types of assistance to zakat recipients to meet their needs. Assistance is provided in the areas of social welfare, human capital development, education, and economic development. Zakat was distributed to all categories of eligible zakat recipients in Selangor for RM 868,263,524 in 2019. At RM 343,177,455, the poorest groups received the most zakat. All the zakat institution's programmes are aimed at eradicating poverty, which includes changing one's attitude, meeting basic needs, and increasing one's income (Ibrahim & Ghazali, 2014). Zakat's role in alleviating poverty and income inequality has been demonstrated through a variety of

programmes channelled through the institution of zakat to eligible recipients. Lembaga Zakat Selangor established it as an economic development programme for the poor and needy to eradicate poverty. Zakat institutions organise programmes to educate recipients on how to be successful in the world and in the hereafter.

Methodology

This study covered the districts of Kuala Selangor, Hulu Langat, Petaling, and Klang in Selangor. These four Selangor districts are the best representations of urban and rural areas. Additionally, respondents were chosen based on their education level, work experience, monthly income, and decision-making ability. Structured questionnaires were used to collect data for this study. The instrument, which consisted of a structured questionnaire, was distributed to 400 respondents who were zakat recipients classified as poor (fuqara) or needy (masakin). According to Sekaran and Bougie (2013) and Krejcie and Morgan (1970), the sample size for this study is 380 people for a population size of 30,000 to 40,000. At least 380 respondents should be included in the observation area, as the population is 32,375 people. The proportionate stratified random sampling technique was used in this study, which was conducted across four districts in Selangor. After stratifying the population by district, a sample of members from each district was selected using simple random sampling. This is because simple random sampling ensures that each respondent in the population has an equal chance of being chosen. The Lorenz Curve and Gini Coefficient will be used to analyse the data. This is because the Lorenz Curve is a tool for determining a population's economic inequality. The Lorenz curve provides additional detail about the precise distribution of income within a population. Microsoft Excel can be used to formulate the Lorenz Curve. For instance, the graph plots the population's percentiles horizontally and cumulative income vertically. In an ideal world, the graph would be a straight line connecting the zero point to the total population and income. When income is not distributed equally, the graph will be a convex curve that lies below the line of perfect equality. Typically, the Lorenz Curve is measured in conjunction with the Gini Coefficient. The Gini Coefficient is a proportionality constant between the area enclosed by the Lorenz Curve and the area below the diagonal. When the value of the Gini Coefficient varies between zero and one, which indicates perfect equality, the reduction index can be calculated.

Results and discussion

Descriptive Statistics.

According to Table 2, most respondents in this study (281 in total) are male (71.3 percent). While 28.7 percent of the remaining 113 respondents are female. 41.4 percent of respondents are between the ages of 41-50, followed by 28.2 percent of respondents between the ages of 31-40. While respondents aged 51 years and older account for 17% of respondents. Another age group is 21-30 years old, which has the fewest respondents in this research study. Klang district has the highest percentage of respondents (30.5%), followed by Hulu Langat district (25.6%). While Petaling district accounts for 25.4% of respondents. With 18.5 percent of respondents, Kuala Selangor district has the fewest. 77.7 percent of respondents are currently employed or self-employed. While 22.3% of respondents are unemployed. In terms of health, 24.4% of respondents report having a critical illness. While 75.6 percent of respondents do not have a critical illness. 70.3 percent of respondents are married, the highest rate among zakat recipients. While 15.2 percent of respondents identify as others. The respondents who are single or unmarried account for the smallest proportion of respondents (14.5 percent). Additionally, the most significant demographic variables analysed were the respondents' income prior to and following receipt of zakat assistance. Prior to receiving zakat assistance, 46.2 percent of respondents had an income between RM300 and RM800, followed by 29.7

percent who had an income between RM801 and RM1,200. While 20.6 percent of respondents earn between RM1,201 and RM1,600. The income group RM1,601-RM2,000 has the fewest respondents (3.6 percent). After receiving zakat assistance, 28.4 percent of respondents reached the income category of RM1,201-RM1,600. There is also an increasing trend, with 28.4 percent of respondents earning between RM1,201 and RM1,600, followed by 25.6 percent earning between RM1,601 and RM2,000. While 23.9 percent of respondents earn between RM801 and RM1,200. The lowest income group comprises 22.1 percent of those earning between RM300 and RM800.

Table 2: Demographic Respondents' Profile

Items	Variables	Response	Frequency	%
1	Gender	Male	281	71.3
		Female	113	28.7
2	Age	21-30 years	53	13.5
		31-40 years	111	28.2
		41-50 years	163	41.4
		51 years and above	67	17.0
3	Place of Residence	Klang	120	30.5
		Petaling	100	25.4
		Kuala Selangor	73	18.5
		Hulu Langat	101	25.6
4	Employment Status	Employed	306	77.7
		Unemployed	88	22.3
5	Occupation Sector	Employment	179	45.4
		Self Employed	215	54.6
6	Healthy Status	Have Critical Illness	96	24.4
		Have No Critical Illness	298	75.6
7	Marital Status	Single	57	14.5
		Married	277	70.3
		Others	60	15.2
8	Income Before Zakat	RM300-RM800	182	46.2
		RM801-RM1200	117	29.7
		RM1201-RM1600	81	20.6
		RM1601-RM2000	14	3.6
9	Income After Zakat	RM300-RM800	87	22.1
		RM801-RM1200	94	23.9
		RM1201-RM1600	112	28.4
		RM1601-RM2000	101	25.6

Lorenz Curve and Gini Coefficient

The purpose of this study was to examine how zakat contributes to the reduction of income inequality among Muslims in Selangor. The researchers chose the four districts in Selangor with the highest proportion of zakat recipients, namely Kuala Selangor, Petaling, Hulu Langat, and Klang. The study's primary objective was to determine whether zakat works as a mechanism for reducing income inequality among 48 Muslims in Selangor. The researchers provided a comprehensive data set on zakat recipients' total income before and after receiving zakat assistance. The researchers completed this study by calculating income inequality using the Lorenz Curve and Gini coefficient. These two measures allow for the identification of differences in zakat recipients' income before and after receiving zakat assistance. Four Lorenz Curves and a Gini Coefficient represent the four districts in this study.

Figure 1 depicts the Lorenz Curve for the income of zakat recipients in Kuala Selangor before and after they received zakat assistance. The curve demonstrates that income after receiving zakat assistance is closer to the perfect equality line than income prior to receiving zakat assistance. This indicates that after receiving zakat, the income of zakat recipients increases toward equality. The income generated by zakat assistance resulted in increased equity for

zakat recipients in Kuala Selangor.

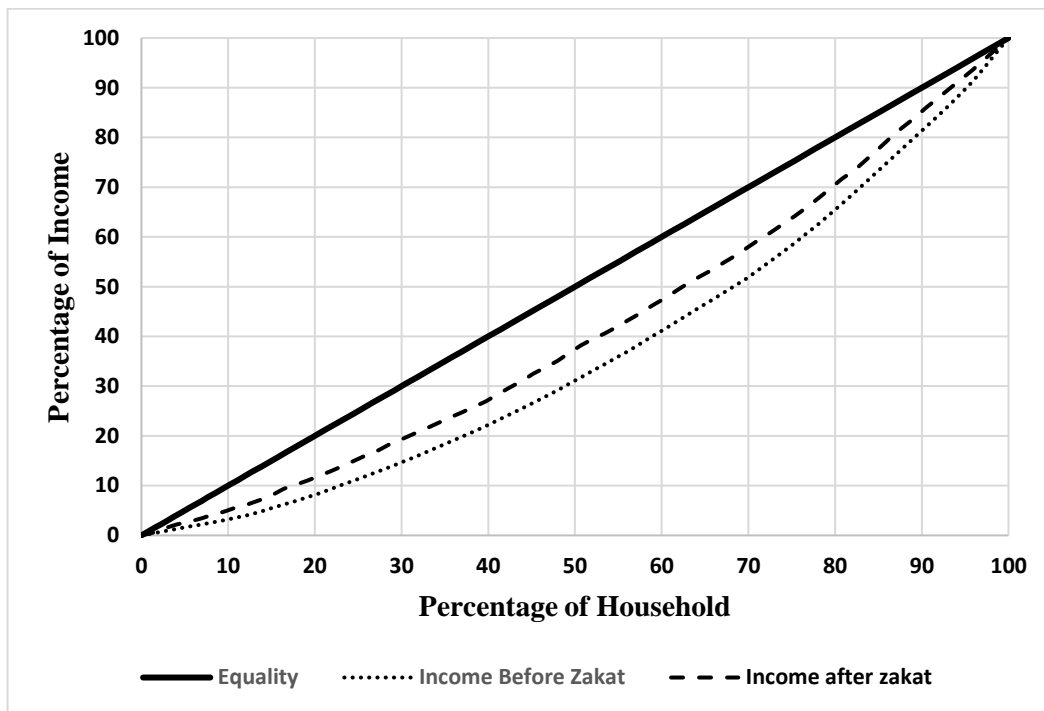


Figure 1: Kuala Selangor Lorenz Curve before and after received the zakat assistance

Because the income received after zakat is closer to perfect equality, it is preferable to the income received before zakat. This is later demonstrated by the Gini Coefficient's value. The Gini Coefficient is shown in Table 3 before and after receiving zakat assistance. The table demonstrates that income inequality among zakat recipients in Kuala Selangor has decreased significantly because of Lembaga Zakat Selangor's zakat assistance (LZS). Without zakat assistance, the Gini Coefficient of income inequality equals 0.25. When the Gini Coefficient is reduced to 0.19 because of zakat assistance, the income distribution improves. The reduction index is positive at 0.06. This demonstrates that zakat assistance has a beneficial effect on the income of zakat recipients.

Table 3: Kuala Selangor: Gini Coefficient before and after received zakat assistance

District	Before Zakat	After Zakat	Reduction Index
Kuala Selangor	0.25	0.19	0.06

Following that, Figure 2 depicts the Lorenz Curve for zakat recipients' income before and after receiving zakat assistance in Hulu Langat. The curve demonstrates that income after receiving zakat assistance is closer to the perfect equality line than income prior to receiving zakat assistance. This implies that after receiving zakat, the income of zakat recipients improves toward greater equality. The income generated by zakat assistance resulted in increased equity for zakat recipients in Hulu Langat.

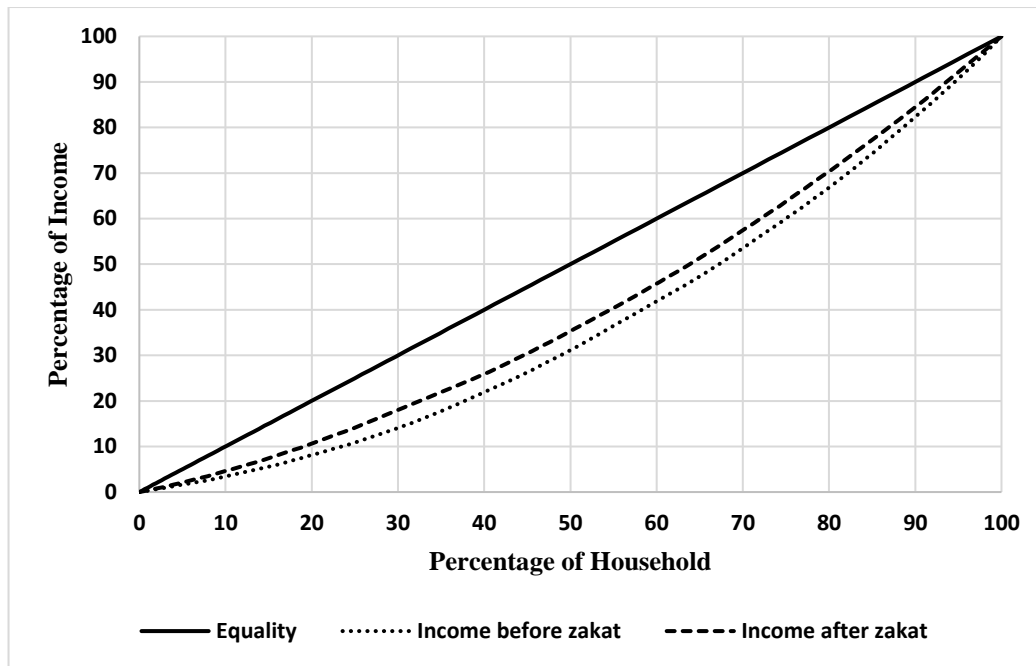


Figure 2: Hulu Langat Lorenz Curve before and after received the zakat assistance

Because income after zakat is closer to perfect equality, it is preferable to income before zakat. This is later demonstrated by the Gini Coefficient's value. The Gini Coefficient is shown in Table 4 before and after receiving zakat assistance.

Table 4: Hulu Langat: Gini Coefficient before and after received zakat assistance

District	Before Zakat	After Zakat	Reduction Index
Hulu Langat	0.25	0.20	0.05

According to the table, income inequality among zakat recipients in Hulu Langat has decreased significantly because of Lembaga Zakat Selangor's zakat assistance (LZS). Without zakat assistance, the Gini Coefficient of income inequality equals 0.25. When the Gini Coefficient is reduced to 0.20 because of zakat assistance, the income distribution improves. The reduction index value is 0.05. This demonstrates that zakat assistance has a beneficial effect on the income of zakat recipients.

Meanwhile, Figure 3 below illustrates the Lorenz Curve for the income of zakat recipients in Petaling before and after receiving zakat assistance. The curve suggests that income after receiving zakat assistance is closer to the perfect equality line than income prior to receiving zakat assistance. This indicates that after receiving zakat, the income of zakat recipients increases toward greater equality. The income generated as a result of zakat assistance resulted in increased equity for zakat recipients in Petaling. Income equality prior to zakat After zakat, income.

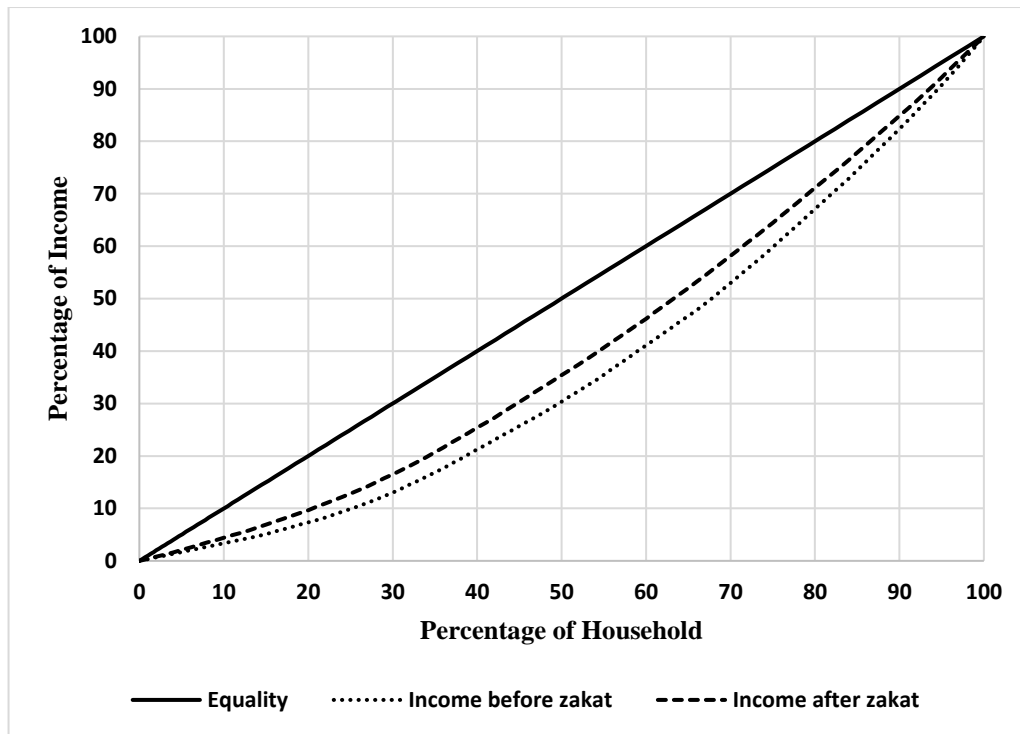


Figure 3: Petaling Lorenz Curve before and after received the zakat assistance

Though since income received after zakat is more equal than income received before zakat, it is preferable. This is later demonstrated by the Gini Coefficient's value. The Gini Coefficient is shown in Table 5 before and after receiving zakat assistance.

Table 5: Petaling: Gini Coefficient before and after received zakat assistance

District	Before Zakat	After Zakat	Reduction Index
Petaling	0.26	0.20	0.06

According to the table, income inequality among zakat recipients in Petaling has decreased due to the effects of Lembaga Zakat Selangor's zakat assistance (LZS). Without zakat assistance, the Gini Coefficient equals 0.26. When the Gini Coefficient is reduced to 0.20 as a consequence of zakat assistance, the income distribution improves. The reduction index is positive at 0.06. This demonstrates the beneficial effect of zakat assistance on the income of zakat recipients.

Following that, Figure 4 illustrates the Lorenz Curve for the income of zakat recipients in Klang before and after receiving zakat assistance.

The curve demonstrates that income after receiving zakat assistance is closer to the perfect equality line than income before receiving zakat assistance. This indicates that after receiving zakat, the income of zakat recipients increases toward greater equality. The income obtained on the basis of zakat assistance resulted in increased equity for zakat recipients in Klang.

Because the income received after zakat is closer to perfect equality, it is preferable to the income received before zakat. This is later demonstrated by the Gini Coefficient's value. The Gini Coefficient is shown in Table 6 before and after receiving zakat assistance.

According to the table, income inequality among zakat recipients in Klang has decreased significantly with the addition of Lembaga Zakat Selangor's zakat assistance (LZS). Without zakat assistance, the Gini Coefficient equals 0.27. When the Gini Coefficient is reduced to

0.20 as a necessary consequence of zakat assistance, the income distribution improves. The reduction index is positive at 0.07. This demonstrates the beneficial effect of zakat assistance on the income of zakat recipients.

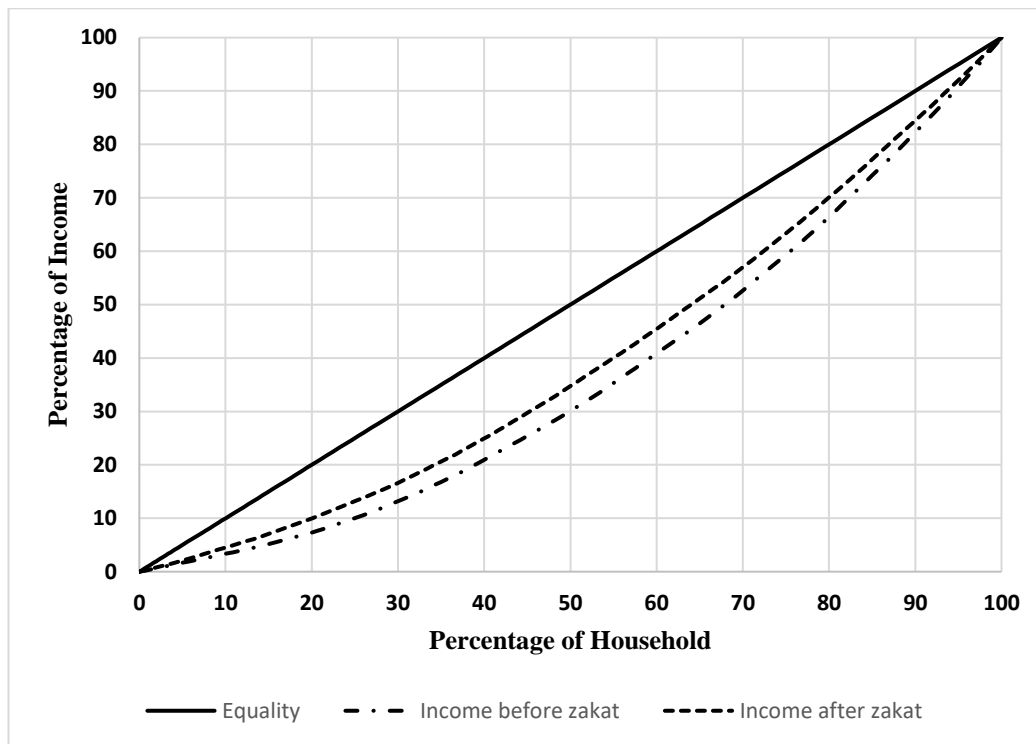


Figure 4: Petaling Lorenz Curve before and after received the zakat assistance

Table 6: Klang: Gini Coefficient before and after received zakat assistance

District	Before Zakat	After Zakat	Reduction Index
Klang	0.27	0.20	0.07

Conclusion

The purpose of this study is to ascertain the role of zakat as a mechanism for reducing income inequality in Selangor's Muslim community. According to the findings, most respondents have high regard for zakat institutions such as Lembaga Zakat Selangor (LZS) and believe that zakat assistance contributes to the reduction of income inequality in society. The Lorenz Curves and Gini Coefficient findings suggest that zakat had a significant effect on reducing income inequality. It is established when the income curve after zakat is closer to the perfect equality line than the income curve before zakat. The Gini Coefficient values established the Lorenz Curve's results. The reduction index between income before and after zakat indicates a significant improvement in income inequality. This demonstrates the significance of zakat as a mechanism for reducing income inequality.

Additionally, previous research has extensively discussed the issues of poverty and income inequality. According to Abdelbaki (2013), unequal income distribution can eventually lead in poverty. Individuals are unable to meet their basic needs. It is likely to have a detrimental effect on society. According to Safari, Masseran, Ibrahim, and Hussain (2020), income inequality has culminated in dissatisfaction and a stressful environment. It is evident in the recent pandemic of Covid-19 when most businesses are prohibited from operating. When

individuals lose their sources of income, they suffer. Most of them lack financial resources or other means of coping and surviving in this difficult situation.

Unfortunately, it can also result in massive depression, and some individuals may feel dejected throughout this trying time. Since early this year, the number of suicide cases and attempts has increased across the country. This demonstrates how income inequality can have a negative effect on someone's mental health. Zakat is a mechanism for resolving the issue of income inequality that arises. Several previous discussions demonstrate the critical relationship between zakat and income inequality. According to Johari, Aziz, and Ali (2014), zakat plays a critical role in alleviating poverty among new converts in Selangor. This assertion is supported by the Lorenz Curve results, which show that the curve with zakat distribution is closer to the perfect equality line than the curve without zakat distribution. It demonstrates the beneficial effect of zakat on poverty and income inequality reduction. This statement is backed up by a study conducted by Othman and Noor (2012), which found that zakat can help close the gap between the rich and poor in society. Zakat will look after the welfare of zakat recipients to minimise income inequality. Zakat institutions, such as Lembaga Zakat Selangor (LZS), are solely responsible for distributing zakat funds to eligible Selangor residents. They must make full use of the zakat assistance provided to improve their standard of living. Additionally, they have greater opportunities to advance their socioeconomic status and thus generate more income.

The study's implications are to assist zakat institutions such as Lembaga Zakat Selangor (LZS) in comprehending the role of zakat in reducing income inequality among Selangor's Muslim community. According to Rahman, Alias, and Omar (2012), zakat can play a critical role in assisting the government's effort to eradicate poverty. This statement is backed up by a study conducted by Zulkifli, Taha, Awang, Nor, and Ali (2021), which identified zakat as a significant contributor to the poor and needy's ability to solve their problems in addition to government assistance. This means that zakat institutions are accountable for meeting the needs of all categories of zakat recipients to accomplish the zakat objective. Each state in Malaysia regulates zakat administration through regulations and statutes. Zakat institutions have their own framework that must be followed specifically for the purpose of collecting and distributing zakat.

References

- Abdelbaki, H. H. (2013). The impact of zakat on poverty and income inequality in Bahrain. *Society of Interdisciplinary Business Research*. 2(1), 133-154.
- Ahmad, R. A. R., Othman, A. M. A., & Salleh, S. M. (2015). Assessing the satisfaction level of zakat recipients towards zakat management. *International Accounting And Business Conference*. 31, 140-151.
- Bakar, A. M., & Ghani, A. A. (2011). Towards achieving the quality of life in the management of zakat distribution to the rightful recipients (the poor and needy). *International Journal of Business and Social Science*. 2(4), 237-245.
- Ibrahim, P. (2005). Potential role of zakat distribution in reducing income inequality among the muslims society. *Thesis On Economic And Management (UPM)*.
- Ibrahim, P. (2006). Economic Role of Zakat in Reducing Income Inequality and Poverty in Selangor, PhD thesis, Universiti Putra Malaysia.
- Ibrahim, P., & Ghazali, R. (2014). Zakah as an Islamic micro-financing mechanism to productive zakah recipients. *Asian Economic And Financial Review*. 4(1), 117-125.
- Ibrahim, P., Muridan, M., Ali, M., & Yazid, M. I. A. (2020). Revisiting zakat distribution on income inequality and welfare: The Malaysia Experience. *Journal of Islamic Economics*. 4(1), 146-161.

- Johari, F., Aziz, A. R. M., & Ali, M. F. A. (2014). The role of zakat in reducing poverty and income inequality among new convert (muallaf) in Selangor. *Online Journal Research in Islamic Studies*. 1(3), 43-56.
- Krejcie, R. and Morgan, D. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30, 607-610.
- Lembaga Zakat Selangor. (2020, July 28). Laporan Prestasi Kutipan dan Agihan Zakat bagi tahun berkakhir 31 Disember 2019.
- Othman, A. & Noor, M. H. A. (2012). Role of zakat in minimizing economic inequalities among Muslim: A preliminary study on non-recipients of zakat fund (NRZF). *3rd International Conference On Business And Economic Research*. 1209-1222.
- Possumah, B. T. & Ismail, A. G. (2011). The Quran and Poverty Alleviation: A Theoretical Model for Zakat based Islamic Microfinance Institutions, Selangor: Universiti Kebangsaan Malaysia.
- Rahman, A. A., Alias, M., & Omar, S. N. M. S. (2012). Zakat institution in Malaysia: Problems and issues. 2(1), 35-41.
- Ramli, R., & Ibrahim, P. (2010). Kesan agihan zakat dalam membasmi kemiskinan dan ketidakseimbangan agihan pendapatan di Negeri Sembilan. *Persidangan Kebangsaan Ekonomi Malaysia Ke 4*. Avillion Cove, Port Dickson, Negeri Sembilan. (pp. 1-13).
- Riwajanti, N. I., 2013. Islamic Microfinance as an Alternative for Poverty Alleviation: A Survey. *Afro Eurasian Studies*, 2(1&2), pp. 254-271.
- Safari, M. A. M., Masseran, N., Ibrahim, K., & Hussain, I. S. (2020). Measuring income inequality in Malaysia based on household income surveys. *Journal of Quality Measurement and Analysis*. 15(2), 59-75.
- Sarif, S & Kamri, N.A. (2009). A theoretical discussion of zakat for income generation and its fiqh issues. *Shariah Journal*. 17(3), 457-500.
- Sekaran, U., and Bougie, R. (2013). *Research methods for business: A Skill Building Approach* (6th ed.) United Kingdom: John Wiley & Sons.
- Wahid, H., & Kader, A. R. (2010). "Localisation of Malaysian Zakat Distribution: Perceptions of Amil and Zakat Recipients" Seventh International Conference –The Tawhidi Epistemology: Zakat and Waqf Economy, Bangi 2010.
- Zulkifli, F. M., Taha, R. Awang, N., Nor, M. N. M., & Ali, A. (2021). Combating poverty in Malaysia. *Journal of Asian Finance, Economics and Business*. 8(5), 505-513.