
ZAKAT MANAGEMENT AND CAPITAL ASSISTANCES PROGRAMME IN BRUNEI DARUSSALAM

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ABSTRACT

There are different point of views with regards to mechanism of *zakat* distribution, especially how much the share, which should be received by each item. *Zakat* has special characteristic that distinguishes *zakat* from other transfers of wealth which is that *zakat* can only be used in the limited objectives. These objectives are related to individual, community and humanity at large. As well as being an obligatory act of worship, it is a system through which a Muslim society can eradicate poverty and inequalities. The purpose of this paper is to examine the system of *zakat* management in Brunei Darussalam including the collection and disbursement channels handled by the *Zakat* Collection and Disbursement Division (BAKAZ) in Brunei Darussalam. This paper identifies the categories of *zakat* recipients (*asnaf*) and application recognized in Brunei Darussalam. It is interesting to note that there has been a significant increase in the number of recipients of *zakat* fund from the category of destitute and poor since the year 2004, although there was evidence of a decrease in *zakat* received on property in 2006 and 2007 which could be the result from lack of fund. This paper also highlights the findings of an empirical study regarding the progress and problems faced by the recipients of the capital assistance from the *zakat* fund. As resulted from the findings and observations, this paper provides some policy implications in order to improve the efficiency and effectiveness of *zakat* management in Brunei.

Keywords: Brunei Darussalam, economics of zakat, poverty alleviation, zakat management

INTRODUCTION

Zakat is one of the five pillars of Islam and is a duty performed on a regular basis which is a compulsory act for all Muslims. By the act of giving *zakat*, it creates the relationship between an individual Muslim and his Creator through his act of obedience in obliging what has been commanded by the Creator, as well as the relationship between an individual Muslim and the Muslim community through helping out to eradicate poverty and inequalities and the sharing of wealth from the rich to the poor (Al-Qaradawi, 1972).

Zakat is calculated at various rates according to the nature of the asset or product, and is due to 'the needy' of the Muslim community. There are different arguments with regards to how *zakat* is distributed, especially how much the share, which should be received by each item. *Zakat* has special characteristic that distinguishes *zakat* from other transfers of wealth which is that *zakat* only can be used in the limited objectives. These objectives are related to individual Muslim life, society life and humanity (Abdullah, 2009).

Besides being an obligatory act of worship, it is also a system through which a Muslim society can eradicate poverty and inequalities. This paper examines the current system of *zakat* in Brunei Darussalam including collection and disbursement channels, and to what extent the current system of management and what are the obstacles and difficulties that are present as well as providing proposals that can and will help to develop the current practices. The present paper aims at addressing the role of *zakat* in development process in order to assess the gap between the financial needs for needy people and the *zakat* potential in Muslim society. Under some conditions and improvements if *zakat* has to become a meaningful instrument of development in Muslim society, the present practice in many aspects has to be substantially reformed. The present paper provides insights on the processes involved in *zakat* management handled by the *Zakat* Collection and Disbursement Division (BAKAZ). The rest of this paper is organized as follows. Section 2 presents literature review. Section 3 describes the methodology framework and sources of data. Section 4 provides an overview on *zakat* management and regulations in Brunei Darussalam through the functions of BAKAZ. Section 5 focuses on

the analysis and discussion based on the findings and results obtained. Section 6 provides possible recommendations for policy formation and benchmarking purposes that could help to improve the *zakat* management processes in Brunei Darussalam.

LITERATURE REVIEW

Neither the *Qur'an* nor the *ahadith* of the Prophet (peace be upon him) specified how to distribute the *zakat* amongst the eight groups and about the portion of the *zakat* received by each group (Al-Abdin, 2002). *Al-Shafi'i* is of opinion that *zakat* should be distributed to all the eight categories if they exist, otherwise to those who are available of them. Some of the *Hambalites* agreed with the Shafi'i point of view but Malik and Abu Hanifah said it is not necessary to cover all groups. Abu Ubayd narrated an opinion of Ibn Abbas which says that *zakat* can be given even to one group of the eight (as cited in Shahatah, 2000).

The other scholar, Al-Qardawi (2005) is of the opinion that the funds of *zakat* should be distributed to all eight *asnaf* if the funds are in abundance and the degree of their needs is similar. The share of each one should not necessarily be equal but should be according to their number in society and conditions of need. Imam Abu Ubayd also held a similar view (as cited in Al-Qardawi, 2005). He urged that since equality of dividends is not necessary, the biggest share should go to the poor because it is clear that the emphasis of the *Qur'an* and the traditions of the Prophet (peace be upon him) are in favour of the poor. Al-Qardawi also quoted that Ibn Shihab al-Zuhri advocated the same when he said: "The most deserving of them (to be given *zakat*) is the greatest in number and the most in need". The aim of *zakat* according to Muhammad b. Hassan al-Shaybani, the famous *Hanafi* jurist, is to satisfy the needs of the poor and if the fund of the *zakat* cannot meet their needs, the Imam should take from other sources of treasury to satisfy every poor person and his family (Al-Zuhri as cited in Al-Qardawi, 2005).

As most scholars are of the opinion that preference should be given to the poor in distributing the *zakat* fund rather than covering all the deserving categories, it is found that most countries give a greater percentage of the *zakat* fund to the genuine poor group of people. For example,

Al-Abdin (2002) mentioned that the Pakistani *zakat* law gives 90% of the collected fund to the poor and the government pays the salaries of the employees from its own resources. The Sudanese *zakat* law adopts the view that *zakat* should be distributed to all the eight groups but the *zakat* administrator's organization has decided to give priority to the poor and needy by giving 50% of the whole revenue to the poor and needy. While in Kuwait, more than 85% of the *zakat* fund is distributed to the poor and needy.

Many Muslim countries have adopted an approach of combining a long-term rehabilitation to enable the poor to possess a source of continuous income in addition to an immediate but limited amount (Al-Abdin, 2002). For instance, The Central Zakat Council of Pakistan has provided that not less than 45% of *zakat* fund should be given to poor families as a permanent rehabilitation grant while another 45% should be given as a monthly subsistence allowance to poor persons. Similarly, in Sudan, 65% of the *zakat* fund is distributed as immediate assistance to the poor and the remaining 35% is distributed for purchasing means of production, to be transferred to needy families. This practice is similar to that adopted by the *Zakat* House in Kuwait and the Nasir Bank in Egypt (Abdullah, 2009).

Assistances in the form of capital are needed by the poor and needy to finance their economic activities. There are evidences found in the report on SME in Brunei Darussalam that SMEs face difficulties in terms of both availability and access to finance. This was due to difficulties in meeting the requirement of the financial institutions in rendering the loan such as collaterals and guarantor. The difficulties are more for the poor and needy who are not having asset to be used as collateral in order to get the loan (Islam et al, 2002).

In regard to possibility of using *zakat* fund for providing business capital, several authors addressing this issue. Zayas (2003) discussed the rules governing the administration of *zakat*. One of the rules was that *zakat* fund should not be invested in any kind of business enterprises due to risks faced by the businesses. She stressed that the *zakat* fund is meant for helping the people who deserve it. However, she did not mention that *zakat* fund cannot be used to help the poor and needy in the form of capital for businesses run by them.

The *shariah* ruling regarding the use of *zakat* fund for benevolent loan can be referred to the discussion took place in Egypt in 1950 in answering the question by the government of Pakistan on this matter. According to Abu Zahrah (as cited in Shahatah, 2000) the answer was as follows:

“If a debtor died and his heirs are not capable to repaying his debt, it is possible that the debt be repaid from zakat funds. To Malik, Al-Shafi’ and Ahmad, the balance of the debt must be paid from his property of funds left his death. If the inheritance was sufficient, the debt is duly paid, otherwise, it becomes a bad debt. Under Islam, fair debts are to be paid back from zakat fund. In this matter, Islam has been by far the forerunner of all other faiths. It suffices to know that in some states the Roman Law had given the creditor the right to take the debtor as a slave. But the Law of Allah, the Subtle and Aware, ordains that the debt of an insolvent should be paid by the state on his behalf. In so doing, people are encouraged to do more acts of benevolence and chivalry and to grant more of riba free loans. Since the fair debts are paid back from zakat funds, loans may be granted from the zakat funds so that they may be repaid later”.

Imam al-Nawawi is of the opinion that the poor and the needy should be given what could bring them out of poverty to sufficiency on a permanent basis. Al-Shafi’i shares the same opinion (as cited in Al-Abdin, 2002).

Muhammad (1993) wrote about the principles governing the distribution of *zakat*. One of the principles is that the amount of *zakat* given to a particular person should be sufficient to fulfill his needs. The amount given to the poor and needy should be enough for the basic needs such as foods, clothes, and shelter. For the wayfarer, it should be enough to continue his journey and for debtor, the amount should be enough to clear his debt. He also mentioned that according to *Shafi’i* school of thought, the mode of the distribution of *zakat* depends on the conditions of the person. To the old, handicapped etc., the *zakat* should

be given continuously for the rest of life. If the person is young and healthy, he should be given *zakat* in the form of sufficient capital to enable him to earn a livelihood.

Akhtar (2002) is of the opinion that the governments of Muslim countries should tap the enormous potential of *zakat*. A sizeable amount of *zakat* can be collected if all sources approved by *shariah* are being implemented and enforced. The *zakat* law should provide enough funds for rehabilitation such as meeting the training and skills needs of the *zakat* recipients and providing them capital for setting up businesses. The success of the rehabilitation of poor programmes depends on the package of the assistance provided including financing, training and education, marketing, capacity building, technology and monitoring inputs delivered at the door step of the *zakat* recipients (Akhtar, 2002).

In Egypt, the collection and distribution of *zakat* involve voluntary workers and committees. The network of *zakat* consists of four major organizations that are voluntary committees unaffiliated with any public body, the ministry of *awqaf* and its affiliated voluntary committees, the Nasir Social Bank and its affiliated voluntary committees and the Egyptian Faisal Islamic Bank and its affiliated voluntary committees. *Zakat* is paid voluntarily to these organizations and is distributed to the deserving persons according to discretion and decision of the volunteers (Akhtar, 2002).

The *zakat* management by the banks has advantages as banks have branches which cover huge areas throughout the country. Banks also have access to the capital and profits of the shareholders. The flexibility procedure in establishing the voluntary committees helped the banks to reach either the *zakat*'s payees or the deserving people. As an example, Nasir Social Bank's voluntary committee can be formed at any place like at a mosque, a school, a factory, a government office, a village, a quarter or section of a city or any area where there are people who have the time and energy to volunteer. Nasir Social Bank has the advantage in diversifying its services and inventing new ideas and projects to cater to a variety of needs of the deserving categories as its resources are not limited to *zakat* alone (Akhtar, 2002).

Some practices from different countries found in some research papers. According to Kahf (2000), besides catering to the needs of the poor and destitute, the organization provides "training services, medical

services in *zakat* sponsored clinics and hospitals, Qur'an memorization support, private classes to enhance the academic advancement of poor students, nursery schools for the small children of poor working women, the construction of mosques, foreign language teaching, burial services and camping and sports facilities for poor children and youth", amongst other things. In addition, it also provides "dinner during the month of *Ramadhan* to the poor and to travelers, a mobile caravan for *zakat* awareness and disbursement, an annual exhibition for the products of the *zakat*-sponsored training centers, a *hajj* group trip as well as sponsoring a series of international and cultural lectures".

In Malaysia, Pusat Zakat Selangor, which is now known as Lembaga Zakat Selangor (Zakat Authority of Selangor) also introduced an innovative programme called Empowerment Scheme (Abioye, 2008). Empowerment Scheme provides financial facilities in the form of business capital for the poor and needy from the *zakat* fund.

In Singapore, the innovative way of managing *zakat* through Empowerment Partnership Scheme (EPS) was introduced in July 2004. Majlis Ugama Islam Singapura (MUIS) or Islamic Religious Council of Singapore disburses on average of BND300,000 each month to about 1,800 *zakat* recipients. The policy is to ensure that every *zakat* dollar is well-spent and can help to improve the quality of life of *zakat* recipients so that in the long run they can be self-reliant. Hence, 400 empower-able families were selected to undergo the intensive three-year scheme, under close supervision of agency-partners. By year 2008, 231 families out of the 400 families have graduated from the scheme. These families no longer receive *zakat* assistance from MUIS. From January 2008, another 200 families from the *zakat* database were selected to participate in the new batch of EPS (Majlis Agama Islam Singappura, 2008).

In the context of Brunei, earlier study on *zakat* management was conducted by Tamit (1993), while the recent studies have been done by Musa (2007), Masri (2008), Abdullah (2009) and Bashir & Ali (2011). Specifically, Tamit (1993) studied the system of *zakat* management in Brunei including the collection, *zaka*table items, the committee handled *zakat* administration, the distribution and the receivers of *zakat* fund. Musa (2007) studied the delay in processing the application for obtaining the financial aid from *zakat* fund. The study covered the *zakat*

management practice in Brunei and the causes of the delaying processing for zakat assistance. The study recommended the empowerment of the agency, improvement of the administration system, restructuring the organization and improves the working environment and the skills of the staff. Masri (2008) studied the administration of zakat fund and public awareness of zakat. The study suggested Islamic micro grant project to empower the poor through micro financing approach. Abdullah (2009) investigated the role of zakat institution in the socio-economic aspects of Brunei. The finding of the study indicated that the recipients of the capital assistance from zakat fund had not been monitored properly after receiving the assistance. The study recommended that the agency of zakat in Brunei should look into potential of zakat fund as one of the means to alleviate poverty and the zakat fund management needs to be empowered in order to reach those who really need help in the society.

Most recent, Bashir & Ali (2011) studied the management of zakat in Brunei in terms of collection and distribution channels. They evaluated the impact of zakat fund on recipients. The findings showed that the majority of the zakat recipients' life has improved in terms of better situation and able to satisfied their basic needs. The study suggested that the management of zakat fund in Brunei needs to improve its publicity and awareness.

METHODOLOGY

This paper consists of two parts. The first part is explanatory and conceptual in nature focusing on *zakat* fund management and its mechanism in Brunei. The second part deals with an empirical investigation on capital assistance programmes and addresses the questions of how the recipients are progressing after receiving financial help and studies the factors that lead to either the success or failure of the micro businesses of the recipients.

This paper has obtained secondary data on *zakat* from the Ministry of Religious Affairs, Collection and Disbursement Division (BAKAZ) as well as conducting a formal interview with the officer in charge at the Brunei Islamic Religious Council (MUIB). Based on the data collected, the researchers have managed to evaluate and produce descriptive statistics to explain the current practice and processes involved with

the collection and disbursement of *zakat* in Brunei Darussalam. In addition, primary data has been collected through questionnaire survey on those who received capital assistances during 2001-2008. Sample size included 31 of the recipients of the capital assistances. The sample was selected based on the convenience sampling technique. Personal interviews with 15 respondents have also been conducted at the Brunei Muara district.

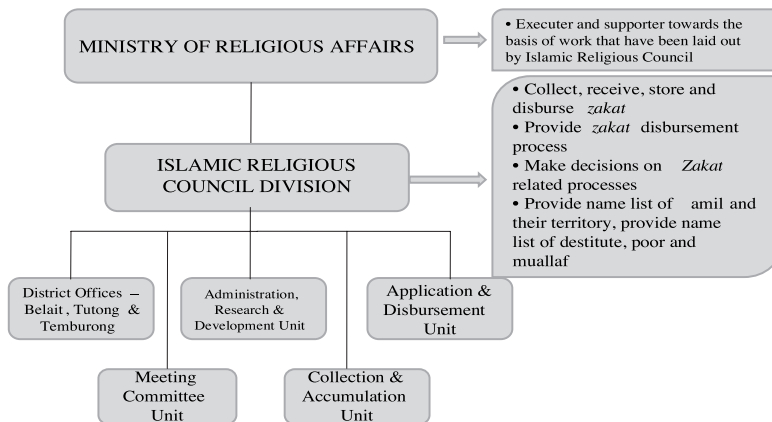
Overview of Zakat Management in Brunei Darussalam

Zakat Collection and Disbursement Division (BAKAZ)

Administration and Management of the collection and disbursement of *zakat* in Brunei Darussalam is under the authority and responsibility of Brunei Islamic Religious Council (MUIB) as stated in the Revised Edition 1984 of the Islamic Religious Council Act and Kadi Courts Act (Chapter 77) Section 1134 to 121 which states the relative duties and responsibilities with regards to *Zakat Fitrah*. The Religious Council was established in 1956 during the reign of Al-Marhum Sultan Haji Omar Ali Saifuddien, the 28th Sultan of Brunei. The establishment was under the Law of Religious Council and Kadi Courts no. 20/1955 which was enforced effectively from 1 Februari 1956. At present, the management of *zakat* is done by one of the units in Brunei Islamic Religious Council, which is the *Zakat* Collection and Disbursement Division (BAKAZ), and it is solely responsible to deal with the processes of collecting, accumulating and distributing the *zakat* management in Brunei Darussalam.

Figure 1 below refers to the organizational chart of the Ministry of Religious Affairs in Brunei Darussalam whereby Islamic Religious Council is under the Ministry among 17 other departments and divisions. The figure also explains the function of the Ministry of Religious Affairs in relation to *zakat* management handled by BAKAZ. Under BAKAZ, there are five other smaller units that deal with the processes of *zakat* application.

Figure 1: Organizational Structure of the Ministry of Religious Affairs in Brunei Darussalam



Main Functions of BAKAZ

The main functions of the *Zakat* Collection and Disbursement Division (BAKAZ) are to collect, receive, restore and distribute *zakat* as well as providing the processes involved in the disbursement of *zakat fitrah* and *zakat* on property to the eligible recipients. Apart from that, this division also acts as the Chief of the Committee involving in short-listing applications from the eligible recipients and also to the Committee of issuing *zakat* Money. It also has the authority to make and implement decisions with regards to *zakat*. This committee is chaired by the Minister of Islamic Religious Affair as Chairman of the Brunei Islamic Religious Council and among the members of the Committee are the State Mufti, Deputy State Mufti, *Shariah* Court Kadi, Director of Planning and Economic Development, District Officer of Brunei Muara, Director of Mosque Affairs, Director of Society Development and the Secretary of Islamic Religious Council.

The BAKAZ is responsible to receive and distribute *zakat fitrah* and *zakat* on property. For *zakat fitrah*, it is collected through appointed *amil*, while *zakat* on property is collected through various channels, some of which through appointed *amil*, appointed financial institutions such as Tabung Amanah Islam Brunei (TAIB), Bank Islam Brunei Darussalam (BIBD) and payers can also go directly to the BAKAZ.

Referring to *Surah at-Taubah (Surah 9)* verse 58 – 60, Allah s.w.t has given His Guidance on to whom *zakat* should be distributed. The word *zakat* is derived from its Arabic verbal root, meaning to purify, increase and to bless (Translation from Yusuf Ali). By paying *zakat*, aside from it being an act of worship (*'ibadah*) and a basic element of Islam, it helps in the act of the Muslim individual to attain blessing, purification and cultivation of good deeds. Allah s.w.t. always mentions those who give *zakat* is in the same level as those who perform prayer (*solat*), which proves that *zakat* is seen as an important act of worship as prayer is, through the intention of a Muslim individual to seek and get closer to the Creator. Allah s.w.t. also reminds us that the disbursement of *zakat* will attract some conflicts or protests, especially from those who want to get the share of *zakat* even though they do not deserve to get it.

The *zakat* collections are accumulated under the name “Accumulative *Zakat* Fund” and Brunei Darussalam recognized six categories of persons (*Asnaf*) eligible to receive them, according to the Brunei State Mufti Fatwa No (14) in MKB 3/1969 dated 1390/ 01 September 1970. They are destitute, poor, *amil*, *muallaf*, *gharimin* and *ibnu sabil*. While the groups of for *raqib* and *fisabilillah* do not exist or recognize in the country.

***Zakat* Collection and Disbursement Process**

The main functions of the BAKAZ are to collect and disburse *zakat*. The division currently is using the *Zakat* Management System or ‘Sistem Pengurusan *Zakat*’ (SPZ) as their internal database system that records application and the applicants’ details, the processes involved in new applications, the updated information on application, as well as the list of appointed *amil* and their responsibilities.

The main objectives of using this system are to process the *zakat* management procedures and application effectively and efficiently as well as to update the management procedures from the perspectives of systems application, content and tools. The system also helps to enhance internal control in terms of accounting; audit and administration as it reduces the amount of time spent on checking and re-checking application paper and updating or renewing application processes.

With this system also, the division is able to function properly in terms of *zakat* collection and disbursement, the information needed for the appointed *amil* and their tasks, the accounting side of the function, investigation processes as well as administrative procedures. When an application is received by this division, the staff will key-in the information from the application into the *Zakat* Management System (SPZ). The information is then disseminated among the staff to select which among the applications require immediate action and in need of *zakat* money. Through the system, the division is able to view the past and recent *zakat* collection and disbursement, able to identify the number of destitute poor that have received the *zakat* money and able to create annual statistics for the use of the division and audit department.

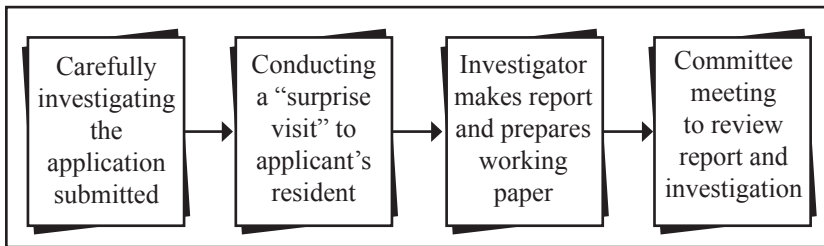
In steering the policy and conduct of the collection and disbursement of *zakat* in Brunei Darussalam, the Islamic Religious Council with the consent of His Majesty the Sultan and Yang Di-Pertuan Negara Brunei Darussalam has appointed a committee for that purpose. The committee is known as the Islamic Religious Council Committee for The Withdrawal of *Zakat* Fund. This Committee has the power to make final decisions on all types of *zakat* disbursement and to decide the amount, rate and types of disbursement to the persons eligible to receive *zakat* in Brunei Darussalam.

Eligibility and Selection Process

To decide whether an application is eligible to apply for *zakat* to this division (BAKAZ), a Committee is set up to review such applications before deciding and approving the application to receive the *zakat* money. The Reviewing Committee is responsible to review all applications that are received by the division in a meeting before sending those applications to the Committee responsible to distribute the *zakat* money. This Committee also deals with giving approvals to the applications, whether they deserve to receive the *zakat* money or otherwise. Such approvals are made based on the report of the investigation made by appointed officers from this division in carrying out a “surprise visit” where informal or/and formal interviews are conducted with the applicants with regards to their eligibility to receive *zakat* money.

As shown in Figure 2, the processes that are involved in making the decision whether an application is eligible to receive the *zakat* or not. There are four stages involved in the processes of making the decision of whether to give the *zakat* or not and whether the eligible recipients have declared themselves to be eligible to receive *zakat* or they have to be determined by the officers in charge. Basically, the main concern for this division is to identify whether an applicant is eligible for *zakat*.

Figure 2: Selection Process for Eligible Applicants

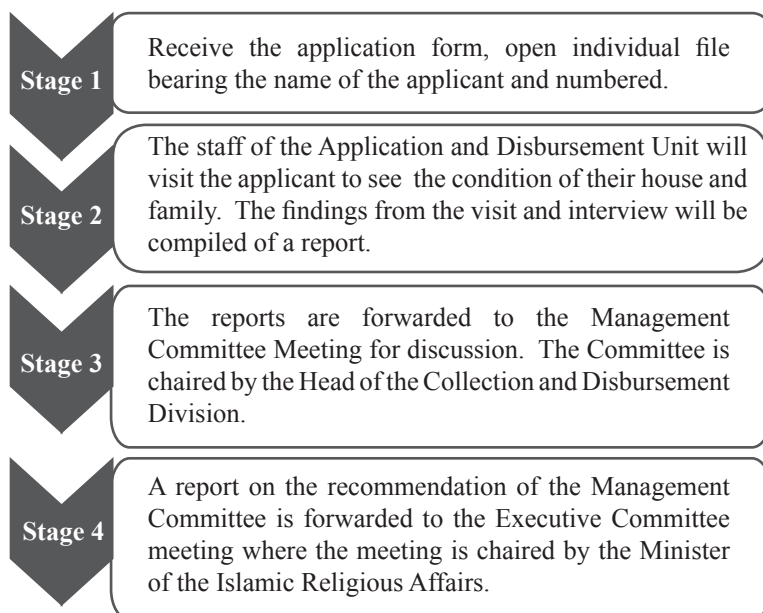


The first process involves administration staff in BAKAZ to carefully investigate the applicant through the application being sent to the division. The staffs are also responsible to check whether an application has been completely fulfilled by an applicant. By investigating the information in the application, the staffs are able to identify which applications need immediate action and which do not require such action. After this step has been identified, the applications are submitted to an officer, whom will be selected and appointed as an investigator to conduct a “surprise visit” to the resident of the applicant, with the objectives of “checking” and “inspecting” the life situation of the applicant as stated in the application description. This visit is usually made without prior notice to the resident ‘targeted’. If three planned surprise visits fail to find the applicant present in their resident, an appointed visit has to be made. However, this indeed defeats the purpose of the surprise visit. The investigation usually takes about three days, the quickest, and takes about seven to ten days, the longest.

The next stage requires the investigator to make a report based on the investigation of the “surprise visit” conducted and prepare the working paper for the report as well as write a proposal of action required based on his or her observation and point of view. The working

paper is aimed to provide suggestions for the next action that could be taken by the Reviewing Committee in a meeting. This is the last stage, whereby during this meeting, the Review Committee may look into the Income and Necessity Calculation in determining the eligibility of the applicant. This calculation takes into account the necessities of the applicant and his or her dependents in the household which are measured in monetary term. If it was found that the necessity is more than the income, the applicant is said to be insufficient, and vice versa. Hence, in deciding what type of disbursement to be given, it is subjected to a recommendation by the “investigator”, whereby the final decision will be made by the Committee for the Withdrawal of *Zakat* Fund. The final stage involves in reviewing investigators reports on a daily basis by the Reviewing Committee to make the decision whether the application has been successful in receiving the disbursement of *Zakat* Fund. The whole procedure for the processing of the application forms can be summarized into the following four stages:

Figure 3: Stages of Processing the Applications



It is important to note that the Application and Disbursement Unit has limitations in processing the applications. The staffs are multi tasking, doing several jobs at a time such as receiving the application, processing the application, investigating the applicant condition, reporting to the management committee. About 15% of the staff has at least two tasks, 38% of them have three to four tasks, and 47% have more than four tasks (Musa, 2007). The severe shortage of staff has resulted in the accumulation of more than one thousand applications (since 2006 until 2008). Another findings from the interview showed that the staff are frustrated with the attitude of some of the applicants who are taking advantage of the *zakat* assistances.

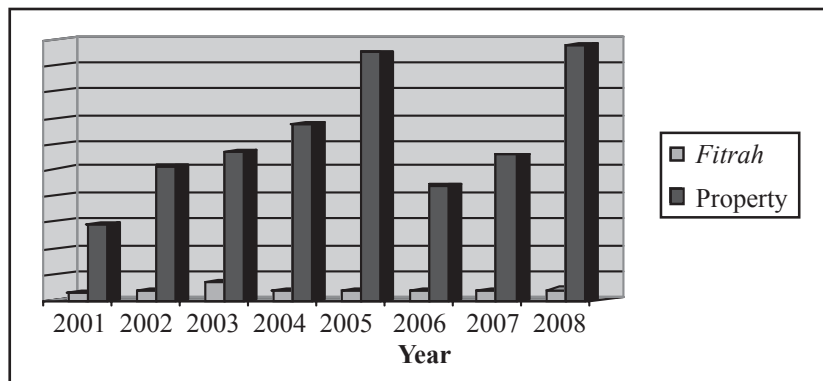
However, since February 2009, new initiative has been introduced to speed up the applications process. The tasks given to the staff are reduced so that they will be more focused. The Unit is targeting to complete at least forty applications per week. However, the same procedures are still applied. The staff commented that although they are speeding up the process, the new applications received about the same number with the number of applicants being visited.

RESULTS AND DISCUSSION

***Zakat* Collection**

Figure 4 shows the total amount of *zakat* collection on property and *fitrah*. It should be noted that from the year 2005 until 2008, the amount of accumulated *zakat* have not been audited. The collection has increased during 2001- 2008 except for the years 2006 and 2007 due to several reasons, including lack of fund, total amount collected from *zakat* was a few in comparison with previous years, the collection from property *zakat* alone until the period of Aug 31, 2007 had shown a marked decrease. In the year 2006, the BAKAZ collected only BND8.8 million, compared to 2005 that collected BND18.9 million, a very considerable reduction but the development of improved *zakat* collection in the year 2008 accumulating an amount of BND19.6 million.

Figure 4: Collection of *Zakat Fitrah* and *Zakat on Property*, 2001-2008



Note: *Figures are not being audit.

Source: Ministry of Religious Affairs (2009).

Table 1 shows the amount of *zakat* collected in Brunei as %age of Gross Domestic Product (GDP). These figures indicate that the *zakat* collected does not exceed 0.2% over 2001-2007, which was very weak position, especially if you know that the average per capita income is very high and oil sector contributes significantly to the national income. This means that the collection of *zakat* has a limited coverage on those items subject to *zakat* as well as those being qualified to pay *zakat*. Despite the fact that the government is the only authorized body for *zakat* collection but unable to reach a wide range of potential payers and items subject to *zakat*.

Table 1: Gross Domestic Product and *Zakat* Collection in Brunei, 2001-2007

Indicator	2001	2002	2003	2004	2005	2006	2007
GDP	10035.5	10463.1	11424.2	13305.8	15864.1	18225.8	18512.3
<i>Zakat</i> collection	6.5	11.1	12.8	14.2	19.7	9.6	12.0
% of <i>zakat</i> to GDP	0.06	0.11	0.11	0.11	0.12	0.05	0.06

Note: GDP and *zakat* collection figures are in million Brunei dollars (BND) at current prices. *Sources:* Department of Planning, Ministry of Religious Affairs Brunei. (2009).

Applications by Category of Recipients

Table 2 below lists down the category of recipients and their application and the disbursement of *zakat* money they receive. For each category of the recognized categories of recipient (*asnaf*), the Division has provided a fixed amount of disbursement of *zakat*. By right, destitute and poor are the most important groups that must be given the first priority in the disbursement of *zakat*, and this is supported and agreed by the four *Mazhab* in Islam, which are *Hanafi*, *Hambali*, *Maliki* and *Syafi'i*. *Mazhab Syafi'i* defined destitute as those who have no wealth or income for their life and their dependents; whereby poor are those who have wealth and income but those are not suffice for their life and their dependents. For destitute and poor groups, the monthly disbursement include basic necessities such as rice, sugar, flour, coffee and others amounting to BND65.00 per person for every family member, of which BND35.00 of that amount is given in the form of basic necessities and the remaining BND30.00 is given in cash form, which can be used to buy other basic needs which are perishable such as fishes, vegetables and other necessary things. These groups also receive *zakat* for their children's school allowance and supplies amounting to BND60.00 per child and there is no limitation on the number of eligible children. They are also given the payment for their house rent which has to be below BND500.00 per month inclusive of water and electricity bill, which is made payable to the house owner directly.

Table 2: Applications of Zakat by Categories of Recipients in Brunei

Categories of Recipients (<i>Asnaf</i>)	Applications	Amount Paid (in Brunei dollars, BND)
1. <i>Fakir and Miskin</i> (Destitute and poor)	1. Monthly fund for basic food & needs (per person)	65.00
	2. Children’s school supplies and payment (per person)	60.00
	3. Payment for house rent (inclusive of water and electricity bills)	500.00
	4. <i>Hari Raya Aidilfitri</i> celebration	
	➤ Head of family	1,300.00
	➤ Each member of family	380.00
	5. Building a house	41,000.00-48,000.00
	6. Capital gift in the form of capital startup model for destitute or poor who has ability or skills such as carpenter tools and farm seeds for farmers.	
7. Capital or equipment to start a business		
8. Medical or health assistance	30.00	
Payment of air tickets, accommodation, transport, cost of hospitalization, daily allowance for patient and accompanying family member.		

2. <i>Muallaf</i> (New convert)	1. “Gifts” in terms of cash money ➤ Spouse (wife) ➤ Children (each) 2. School supplies for children 3. <i>Haj</i> expenses	300.00 100.00 60.00 150.00 5,000-6,000
3. <i>Amil</i> (<i>Zakat</i> collector)	Pay the wages of ones who perform all <i>zakat</i> matters such as <i>zakat</i> collector, <i>zakat</i> distributor, <i>zakat</i> treasury, <i>zakat</i> warehouse keeper, etc.	for <i>zakat fitrah</i> 16%
4. <i>Al-Gharimin</i> (Debtors)	1. Pay the liabilities of persons who are trapped in their obligation for their basic needs. 2. Building, repairing mosque/ <i>surau</i> , or building religious schools.	depending on case approved
5. <i>Ibnu Sabil</i> (Traveler/wayfarer)	Accommodation rental, food spending, fund to go back home and buy necessary & basic needs.	depending on case approved

Note: 1 USD = 1.51 BND (Brunei Dollars)

Source: Ministry of Religious Affairs (2009)

Apart from the monthly disbursement of *zakat* to destitute and poor groups, this Division is also responsible to distribute annual disbursement of *zakat* money for the preparation of *Hari Raya Aidilfitri* celebration, whereby an amount of BND1,680.00 is distributed to the head of each family as well as BND680.00 for every family member. It is noted that since the year 2005, the money is not distributed in a lump sum; rather it is distributed monthly within the period of 12

months. Under the category of providing shelter, the destitute and poor are given the disbursement of *zakat* money to build a house, which has to cost between BND41,000.00 and BND48,000.00 each, as well as house renovation, equipments to build a house and electrical wiring which are all subject to quotations. For education purposes, these groups also receive monthly cash payment for daily expenditure, clothing and school necessities, as well as payment of school fees and transport and also school equipments and textbooks.

Furthermore, these groups also receive help or assistance in terms of obtaining capital or equipments to start a business such as sewing machines, boat and fishing equipments, agricultural equipments and machinery and tools. In case of requiring immediate assistance rendered in a case of unfortunate circumstances such as fire and natural disaster, these groups are also eligible to receive BND200.00 cash for each person and other payments such as for school equipments, for example. And for Medical or Health assistance during hospitalization, these groups are entitled to receive disbursement to pay for the cost for hospitalization, accommodation, transport, air tickets for a patient and a person accompanying him and also daily allowance of BND30.00 each for patient and a person accompanying him.

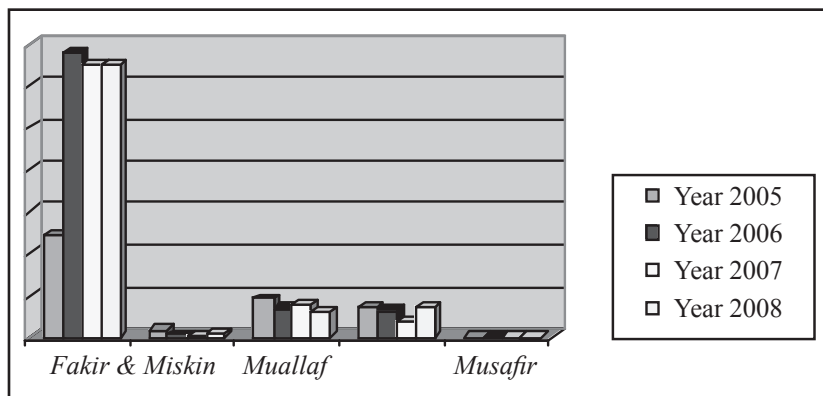
This division is also responsible to distribute the *zakat* to *Muallaf*, which are defined in general term as those who have just embraced Islam as their religion. This group deserves to receive *zakat* in order to strengthen their heart in increasing their belief (*Iman*) or stopping their bad intention or helping any Muslim from the enemy. Tafsir Ibnu Katsir identified *muallaf* as those who are expected to embrace Islam as their religion, or those who can influence their society or family to come in Islam. This group receives “presents” in the form of cash money amounting to BND300.00 to the head of the family, whereby the spouse will receive BND100.00 and each child will receive BND60.00. The children also receive cash amounting to BND150.00 each to buy school supplies and necessities. Apart from receiving the presents, this group can attend all expenses paid courses for *muallaf* as well as having the opportunity to perform Hajj with expenses being sponsored and paid together with spending money amounting from BND5,000 to BND6,000. They also get shelter accommodation and payment for basic needs such as clothes and so on.

Another group of eligible *zakat* recipient that is *Amil*, whereby *amil* are defined as those who are assigned to perform all the activities with regards to *zakat* matters, from collection up to the disbursement stages. *Amil* in Brunei are appointed with consent of His Majesty the Sultan and Yang Di-Pertuan and based on the 1969 *Zakat and Fitrah* Rules and Regulation. Usually, *zakat* has a certain amount that is budgeted to pay the salary of the *amil*. Brunei Darussalam recognizes this group and provides spending amount for the needs of the *amil* in performing their tasks such as bag, calculator, and computer and so on. This group received 'salary' for the tasks of collecting and distributing the *zakat* to *asnaf* as well as the cost of *zakat* administration.

Zakat Disbursement

Figure 5 shows the share of each item from *zakat* disbursement. Destitute and Poor has increased from 56.8% in 2005 to 82.1% in 2008, while other groups including *amil*, *muallaf*, *al-gharimin*, and *ibnu sabil* have decreased from 4%, 21.6%, 17.5% and 1.2%, 7.4%, 9.3% and 0.0% respectively. Increased share of the destitute and poor are due to the increase in number and they represent a large segment of *zakat* receivers who are considered eligible to receive *zakat* money. Based on these findings and also from the interview conducted, it was an interesting perspective that the number of destitute and poor have increased over the last few years, which leads to the suggestion that the recipients might consider receiving *zakat* as the 'easy way out', and view receiving *zakat* as a means of 'support' from the government that might result in them feel that they do not need to work hard to earn a living. It is also interesting to find that with the increasing number of destitute and poor applying for *zakat* fund, the question of equal distribution of annual *zakat* fund is raised as *zakat* is aimed to abolish destitute and poor, however, there is evidence that there is an increased number of applicants wanting to be eligible to receive *zakat*.

Figure 5: Zakat Disbursement by Categories of Recipient, 2005 - 2008



Source: Collection and Disbursement Division, Ministry of Religious Affairs (2009)

There are a few questions that could be raised based on these findings, such as why there is an increase in the number of destitute and poor when there has been an increase in the total amount of accumulated *zakat* fund; and how efficient and effective is the management of *zakat* in Brunei that there has been a recent issue concerning the balance of “unused” *zakat* fund. In comparison with other regional Islamic countries, they have corporate institutions independently authorized to manage *zakat* fund. Hence, the present *zakat* management and administration practices need an urgent change in the future in order to respond positively to contemporary challenges.

Application of the Capital Assurances Programme

The capital assistance programme under the Islamic Religious Council of Brunei Darussalam (MUIB) stated since 1990s by aiming to help the poor and the needy people to have their own productive activities that generating income without depending on continuous monthly *zakat* fund. This programme has been significantly benefited more recipients in year 2001. The capital assistance for businesses are provided in the form of machine and equipment such as a fishing boat and fishing equipment, taxi boat and engine, sewing machine, equipment and

materials for cultivation, equipment for food processing, inventory and other equipment needed for businesses.

This capital assistance is also handled by BAKAZ. There is no specific unit being formed under MUIB to take charge of this significant programme. Therefore, no proper monitoring and guidance programme were given to the recipients. Monitoring is only carried out as and when the need arises.

Table 3: Capital Assistance 2001- August 2008

Year	Number of Recipient	Total Amount (BND'000)	Types of Assistance
2001	22	151	<ul style="list-style-type: none"> - Capital for business (6 persons). - Fishing boat and equipment (13 persons). - Taxi Boat (3 persons).
2002	9	44	<ul style="list-style-type: none"> - Capital for business (4 persons). - Fishing boat and equipment (2 persons). - Grass cutting machine (1 person). - Taxi Boat (1 person). - Seeds, fertilizer and pesticide (1 person).
2003	1	13	Fishing boat and equipment (1 person).
2004	2	16	<ul style="list-style-type: none"> - Fishing boat and equipment (1 person). - Grass cutting machine (1 person).

2005	11	71	<ul style="list-style-type: none"> - Capital for business (5 persons). - Fishing boat and equipment (5 persons). - Grass cutting machine (1 person).
2006	1	10	Fishing boat and equipment (1 person).
2007	None	Nil	
2008	1	4	Capital for business (1 person).
Total	47	309	

Source: Islamic Religious Council, Brunei Darussalam (2010).

From 2001 until 2008, 47 persons received different forms of capital assistance with total amount BND309,000. Table 3, gives the summary of types of assistance where 23 (49%) of them were given fishing boats and fishing equipment, 16 (34%) persons received capital for business, 4 (9%) were given boats to be used as taxi boats, 3 (6%) were given grass cutting machines and one person (2%) received assistance in the form of seeds, fertilizer and pesticide for agriculture.

A survey result shown that more than half of the respondents (53%) had continued doing business but 47% had ceased their business operations. Several reasons were given to account for ceasing their business operations. A respondent cited poor health while another had obtained a job and had preferred to be a salaried worker. Two respondents had sold their fishing boats in order to settle their outstanding debts. Three respondents talked about insufficient cash capital for buying raw materials for various enterprises such as cake baking and maintaining costs of fishing boat engines.

Those who were given the fishing boat, equipment and engines mentioned that these assistances did help them to earn enough for their family's daily needs but the amount earned was insufficient for maintenance costs which were often very high or for buying new equipment or engines. For those who are staying on land, their main problem is to get suitable transport for towing their boats. All of them had old and unreliable cars and could not afford to buy newer second-hand cars. Often they had to sell their boats and equipment and practice fishing by following their friends or relatives to sea and sharing the catch. It seems that the assistance provided to the poor and needy has to be comprehensive and it has to look at various aspects of their lives. The use of the *zakat* fund under the *al-gharimin* category should also be considered to settle their outstanding debts on necessity.

The findings indicate that the majority of the recipients still depend on the *zakat* assistance (67%) and those who do not receive the monthly assistance actually need it. About 20% of the recipients did not receive the monthly assistance after receiving the capital assistance. The study also looked at the problems faced by the recipients in operating their businesses. Some of the difficulties are as follows:

1. **Insufficient Cash for Stock of Materials:** The boat maker has not enough cash to buy the stock of materials. Without cash in hand, this respondent has to depend on the deposit from his client to buy the materials. He can only do business with clients who can wait and do not need the boats urgently.
2. **Declining Market Size:** The taxi boat business is facing a declining market as the population at the Water Village is declining. The respondent concerned could not take the opportunity to taxi tourists as this will require things such as insurance, complete safety equipment etc. These requirements will involve more costs.
3. **Insufficient Cash Capital:** A respondent received assistance in the form of equipment for making cakes and pastries. The problem faced by this family is insufficient cash to buy raw materials. The initial cash capital of BND200.00 ran out after some period of time. His savings were depleted after being unemployed for a

long period. The only way to continue his business is by taking a deposit from his clients to buy the materials or impose a service charge for baking cakes and pastries.

4. No Saving for Replacing the Old Machine: A fisherman is now using a friend's engine boat when his old one broke down and he had no money to buy a new one. He could not go far out to sea with his friend's boat so the income he gets from catching fish and small prawns is barely sufficient for his daily needs. He is reluctant to get a loan from the private sector as the interest is very high.

It is the policy of MUIB not to give assistance to the same recipients more than once. Therefore, assistance in the form of benevolent loans by using the *zakat* fund may be able to help them. The other kind of loans with charges, regardless whether the charges are high or low, may pose as a burden to the poor and needy.

At least 67% of the respondents mentioned that money is the main obstacle they faced currently. The other respondents talked about the need for requirements such as labour quotas for foreign workers to work full-time (6%), licenses for selling vegetables (7%) and a market channel for the products produced by single parents collectively (7%).

Failure Factors

1. Negative Cash Flow Due to Insufficient Capital for Raw Materials: The recipients were given assistance in the form of capital goods and equipment. They were not given cash to avoid abuse of the fund. However, the funds afforded were inadequate to meet the financial needs of the recipients. Due to insufficient capital for buying materials, the poor and needy who received this form of assistance often faced problems maintaining their businesses.
2. The Assistance Given Only Once: Another respondent was given equipment and materials for producing cakes and 'Malay kueh'. The materials were destroyed due to floods just a few days after receiving them.

3. Other Debt or Loan Burden. About 13% or two of the respondents mentioned that they had to sell their boats and engines to settle their debts. The burden from old debts forced them to sell the capital assistance given and in the process, losing the trust from the agency concerned.
4. Dependency Attitude: There is one extreme case where a respondent sold his boat and engine just within one month he received it. The reason given was that he was under pressure to settle his debt. Prior to the visit to this respondent, the researcher got information from the village headman that this recipient always trying to borrow money from anyone he could but never make effort to pay back the loan. In the interview with this respondent, he mentioned that he was trying to elicit help from high-ranking government officers. However, this one extreme case should not over shadow the other respondents' cases.

Success Factors

- Persistent and Opportunity: Only one out of fifteen respondents can be deemed as a successful entrepreneur. The tailoring shop business which started in 2005 had expanded which resulted in the owner opening another branch in 2008. A divorced single mother had received a monthly assistance for about seven years. She raised her four children with the assistance from the *zakat* fund. She has a better academic qualification than the other respondents (up to form five of secondary school). Other distinctive characteristics are that she has tailoring skills and she is used to being independent as she grew up in a big family of twelve siblings. She does not like to work for others but prefers to run her own small business.
- She got the opportunity to open a small tailoring shop with a foreign partner. She applied for capital assistance from MUIB and was willing to stop receiving the monthly assistance. However, she had to prove her seriousness by starting the business with BND600.00 to pay the rental deposit for the premise, two old sewing machines, a table made from unused wood, old chairs and a little stock of materials required for tailoring work. Only then

did she gain the trust from the MUIB officers. She was then given three brand new sewing machines. Without cash to buy materials and paying a deposit to hire foreign workers, she had to continue her business slowly. Her hard work and determination to achieve a higher standard of living and a desire not to receive anymore assistance enabled her to open another branch after three years.

CONCLUSION

Raising awareness among members of the Muslim community on the importance of paying *zakat* plays a role in an Islamic country like Brunei. *Zakat* collection has to be improved according to scientific bases and the legitimacy and legality paid through well organized channels. The management of the *zakat* fund strives to disseminate the values of solidarity and compassion among the members of the Muslim community. Restructuring of the existing *zakat* collection system could net better collection in the future. Also there is a need to emulate the systems achieved by other Muslim country such as Kuwait, Malaysia, and Sudan where *zakat* collection was more effective. There are many qualified *zakat* payers, however, only a handful of them pay (regularly). Management has to make effort to ensure those qualified to pay *zakat*. His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam called for the improvement of how *Zakat* is handled in the country. His Majesty also called for detailed studies by relevant people on *Zakat* or tithe handling as marked inconsistencies have been shown in the amounts collected. Modern economics shuns aid which meets immediate consumption. There are, of course, cases where the need for food and other consumer goods is too urgent. But *zakat* funds should plan to achieve the aim of the *Shariah* that is to find a long-term solution to poverty and dependence. The imposition of an organized *zakat* collection system should be the objective of the state, both for the benefit of social peace and religious fulfillment. There should, however, be supervision by a *zakat* authority to oversee the appropriate disbursement of funds, and to ensure that money is spent transparently in the way the *Shariah* specifies.

The present paper concludes with recommendations that could be implemented for improving the effectiveness and efficiency of *zakat* management in Brunei Darussalam as follows:

1. There is a need to improve the current policy to identify and re-define the meaning of “distribution” or “disbursement” for the BAKAZ.
2. Establish a research unit or team specifically universities aims to suggest any improvements that could be implemented from time to time, depending on the need or collaborate with lecturers and academia in Brunei universities.
3. It is important to increase the number of collection channels and offer a supportive legislation that make the payment compulsory rather than voluntary form specially *zakat* on business, saving, wealth and salaries in order to cater the significantly small amount of *zakat* collection annually.
4. As BAKAZ single-handedly handle the current *zakat* management in Brunei Darussalam, therefore it should not be recognized as a small division, rather a department as an independent governmental department or agency holds larger roles and is more expandable.
5. Provide training for skilled and motivated destitute and poor to enhance their skills and improve their knowledge to engage in investment which could improve their living standards as well as provide educational effort to explain to the public about the importance of paying *zakat* and receiving *zakat* as part of obligation and ‘*amanah*’ from Allah s.w.t. That it should not be taken lightly, and that *zakat* disbursement is *not* benefits that the government provides financial support to the categories of recipients; rather than it is an obligatory act of which each Muslim will be accountable for.
6. There is a need for setting up an online *zakat* collection and payment system to enhance and improve the current practices to make it more efficient and effective.

There are some issues that need attention regarding the capital assistance from the *zakat* fund. The issues are such as selection of participants, group projects, sufficient capital, guidance and monitoring and benevolent loan. The issues are discussed as follows:

1. Selection of the Right Participants: It's crucial to ensure the success of the capital assistance programme in uplifting the poor and needy from poverty. The participants must meet certain criteria such as fitness, has interest and high desire to uplift standard of living, desires to be independent, hard working and persistent attitude and willing to learn and attending suitable training if required. It can be more effective if the projects are done in groups of about 3-5 members, depending on the type of businesses/projects. The group can share problems and experiences through the *shura* (consultation) concept. The courage to be persistent in running the business would be coming from the peer pressure, peer support, mentoring system, and support from the group leader. A package of services, aids and facilities will be easier and economical to render if the capital recipients undertake the project in groups.
2. Sufficient Capital Assistance: There is a consensus of opinion among the capital recipients that the capital assistance provided did help them to earn some income for their family. However, the findings from the survey showed that some recipients were facing problems to pursue their small businesses even after receiving the capital assistance, due to insufficient working capital. A simple feasibility study which includes study of cash flow and maintenance costs must also be conducted. Capital assistance without sufficient working capital is like leaving the recipients with problems to be solved before being able to benefit from the capital assistance. This will cause the equipment to be idle and the recipient has to find ways to get money for working capital while struggling to support his family at the same time.
3. Guidance and Monitoring: One of the weaknesses of the current programme is that there is no guidance and monitoring provided after the poor and needy received the capital assistance. The government agency can involve NGOs who are willing to help on

a voluntarily basis. It is also important to note that a counseling and motivational program should be provided to the poor families before starting the entrepreneurship programmes especially the youth group.

4. Using *Zakat* Fund for Benevolent Loan: It is important to note that the benevolent loan from the *zakat* fund is only for those who are eligible to receive the *zakat*. If the poor and needy are not able to repay the loans due to genuine economic problems, their loans can be considered as repaid by the *zakat* fund. A benevolent loan may also be for those who have received assistance before and need further capital assistance for the second time or to settle their other debts to avoid the possibility of selling the equipment given.

The capital assistance scheme is very important and significant in helping the poor and needy in order to get their family out of poverty. Those who are fit to work but cannot find jobs should not just stay idle and continue to receive the monthly assistance. This program should be continued with some improvement. The number of recipients of the capital assistance is small compared to the ability of providing the fund. The accumulated amount of *zakat* collection can be used for this purpose.

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