Online Journal Research in Islamic Studies

Original Article

The role of zakat in reducing poverty and income inequality among new convert (*muallaf*) in Selangor, Malaysia

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ABSTRACT

This study attempts to examine the effectiveness of monthly zakat distribution as a mechanism to poverty reduction among the new converts in the state of Selangor, Malaysia. The target population of this study is the new converts categories of the Selangor Zakat Centre (LZS)[1] zakat recipients. Simple Random sampling procedure is applied to collect primary data related to zakat recipients from the new convert category of the ten districts of Selangor. Poverty maps are derived based on the collected data. These facilitate an examination of the most affected area of poverty within the context of selected socio economic variables. The effects of zakat distribution on poverty are analysed within the context of burden of poverty; specifically in terms of incidence, intensity and severity of poverty. These are examined using four major indices of poverty, which include the Headcount Index, Average Poverty Gap, Income Gap and Sen Index. To measure the effect of zakat distribution towards the income inequality, this study uses the Gini Coefficient and Lorenz Curve. Results reveal that zakat distribution reduces poverty incidence, reduces the extent of poverty and lessens the severity of poverty. Although, the current practice of zakat distribution in Selangor only gives a small effect on increasing the income of the poor. Hence, by locating the perfect amount of zakat distribution to eliminate poverty and to offer alternative zakat distribution model is the best way in reducing the income inequality and maximization of social welfare. This study manage to identify the group most affected by income inequality and poverty will pave the way towards policies for a more effective and efficient utilization of scarce zakat resources.

Keywords: zakat distribution, poverty alleviation, poverty measures, *muallaf*, Selangor

Introduction

Zakat is one of the financial resources for an Islamic country to improve their society economy, especially those who in the bottom line. An effective zakat management in terms of collection and distribution will create a prosperous life for the asnaf (zakat recipient). The definition of zakat has been done in various ways such as grow, blessing, pure, good

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[1] Lembaga Zakat Selangor

and reno wned. Further, from the Fiqh point of view, zakat can produce a certain amount from a specific wealth for the benefit of those who are entitled to receive it as stipulated by Allah (Ibn. Qudamah 1968). The primary purpose of zakat is to redistribute wealth of the society among the poor (Ridhwan, 2012)[2]. The administration of zakat involves at least two broad aspects, namely the collection and allocation. The role of the state in collecting and allocation zakat fund began rather lately in the Holy Prophet's time in Medina. Zakat funds were distributed among the eight categories of beneficiaries as stated in the Quran. There are eight prescribed categories of the recipients of Zakat. Allah s.w.t has determined these categories when He says: *"Sadaqat are for the poor and the needy, and those employed to administer (the Zakat), for those whose hearts are to be won over, and for the freeing of human beings from bondage, and (for) those who are burdened with debts, and (for every struggle) in Allah's cause, and (for) the wayfarer: (this is) an ordinance from Allah, Allah is All-Knowing, full of Wisdom." (9:60)*

As stated in Islamic Encyclopaedia, the word New Convert comes from the Arabic '*Al-Muallafat al-Qulubuhum*' which means "those whose hearts are won over" or "those hearts that need softening" (Bosworth, 1993)[3]. According to previous phrase, the main porpoise of zakat being given to the new converts is to 'win' and to 'soften' the heart of the New Convert to follow Islam as a way of life. Al-Qaradawi (1986)[4] states, where there is a group of infidels or unbelievers being courted in the hope that they will accept Islam. Thus, the new converts are placed in a special place in Islam because they included among those who are eligible to received zakat even though they were rich (Fuadah et.al, 2013)[5].

Reconciliation of hearts (*Muallafat al-Qulub*) referred to distribution of *zakat* among the Muslims converted in the late Holy Prophet's time (pbuh). *Muallafat al-Qulub* refers to a persons who converted or some says and interpreted as revert to Islam regardless of races and nation. In principle, this includes those people who giving full co-operation in contributing and strengthening Islam. This also includes those who are newly converted to Islam who might have lost their previous property and therefore need assistance and encouragement; those who are newly converted to Islam but are weak. Financial help may strengthen their belief (*iman*) and the sense of belonging to Islamic society. Also included are those who are against the Islam aggressively and by providing money hopefully it may stop them from doing so, and so on. Islam is for everyone not for some specific races thus, the cultural of specific should not affecting the way of New Convert lifestyle or decision in policy.

Literature review

Zakat distribution can prevent the New Convert from deeds that may spark social unrest that comes from family and society. It some sort of education for them to realize that Islam is wholesomeness religion and strengthen their belief that there are on the right

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[2] Muhammad Ridhwan Abd. Aziz. 2012. *Introduction to Islamic Institutions in Economics and Finance*. USIM Bandar Baru Nilai Publisher.
[3] Bosworth, C.E., E. Van Donzel, W.P Heinrichs and C.H Pellat, 1993. The Encyclopedia of Islam. New Edition. Volume VII. New York: Leiden.
[4] Yusuf al-Qardawi. 1986. Fiqh al-Zakat. Volume I & II. Lebanon: Muʾassasat al-Risalah. 33.
[5] Johari, F., Ab Aziz, M. R., Ibrahim, M. F., & Ali, A. F. M. (2013). The Roles of Islamic Social Welfare Assistant (Zakat) for the Economic Development of New Convert. *Middle-East Journal of Scientific Research*, *18*(3), 330-339.

path of becoming Muslims and thus further encourage them to hope for the blessing of Allah, so that their hearts are open to accept the teaching of Islam (Al-Qurtubi, 1954)[6]. According to Ibn Hisham the purpose of providing guidance to the New Convert in the basic knowledge of the 'Deen' (religion) and instilling them with qualities of precise moral behaviour is to encourage them to willingly embrace Islam, and to avoid evil deeds. Thus, zakat plays significant role 'to win' and 'to soften' the heart of the New Convert to follow Islam as a way of life. Previous Islamic scholar agreed that the term New Convert also includes non-Muslims, but only for the purpose of turning their hearts to Islam.

Poverty in Islam is concerned with insufficiency of income and the inability in fulfilling basic human needs (Fuadah, 2013)[7]. There are no distinct techniques to measure poverty, as it is always associated with some level of income required to provide for the basic human needs. From the Islamic point of view, poverty is perceived almost similarly to the conventional definitions. One is considered poor if he does not possess sufficient necessities to fulfil his basic needs. Therefore, poverty can be interrelated to new convert, as identified and understood in Islam. Many new convert had nowhere to go after they converted to Islam. Most of them are lack of education and care. The new convert people really need and seek for help for the Muslim people to enhance their faith (Fuadah, 2014)[8]. Al-Qardawi (1986)[9] stated that beside alleviate poverty among Mualaf, zakat distribution should be improving and increase the *Tauhid* (The Oneness of Allah), *Iman* (believes) and *Taqwa* (level of righteousness) to Allah (s.w.t). Further, zakat also bring gratitude and thankfulness to God for the bounties that He bestows on us.

Zakat has also become an important financial source, especially in dense Muslim population countries (Muhammad Firdaus et.al, 2012)[10]. Zakat fund could act as an incentive to the *New Convert* as part of the effort to assist them to become economically productive recipients if the fund is channeled in a sustainable form. Moreover, the zakat fund could free the recipients from poverty and improve their living standard. Saiful Azhar Rosly, (2008)[11] explained that zakat plays an important role in a pivotal role in poverty eradication and income redistribution of the Muslim people and it forms a critical component of public finance in Islam. Zakat administration in essence deals with the collection of Zakat from Zakat payers and distribution of zakat to the 8 zakat recipients (*Asnafs*). He explained that the increasing number of shareholdings by Muslims in business corporations as well as companies using the Islamic label such as Islamic banks and *takaful* companies has provide strong basis for a systematic and efficient zakat system of collection and distribution.

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[6] al-Qurtubī. 1954. Al-Jami" Li A kām al-Quran. Volume 8. Misr: Dar al-Kutub Misriyya.

[7] Johari, F., Ab Aziz, M. R., Ibrahim, M. F., & Ali, A. F. M. (2013). The Roles of Islamic Social Welfare Assistant (Zakat) for the Economic Development of New Convert. *Middle-East Journal of Scientific Research*, *18*(3), 330-339.

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[9] Yusuf al-Qardawi. 1986. Fiqh al-Zakat. Volume I & II. Lebanon: Mu'assasat al-Risalah. 33.

[10] Muhammad Firdaus, Irfan Syauqi Beik, Tonny Irawan & Bambang Juanda, 2012, Economic Estimation and Determinations of Zakat Potential in Indonesia, IRTI Working Paper Series, WP# 1433-07.

[11] Saiful Azhar Rosly (2008) *Malaysia and Islamic Economics*, International Center for Education in Islamic Finance (INCEIF), (Paper presented at the Hadhari Economics Roundtable Conference, Universiti Kebangsaan Malaysia, 25th November 2008, MALAYSIA).

Dimas Bagus Wiranata Kusuma and Raditya Sukmana (2010)[12] studies about the power of zakat in poverty alleviation and found out that zakat can give impact in terms of consumption variable and investment variable. Thus, the more zakat disbursed to the recipient, the more in increasing the amount of aggregate consumption created into economy. In spite of in Islamic economic system, zakat payer will transfer their excess income or wealth to zakat recipient which indirectly will promote the higher propensity to consume of zakat recipient. For the zakat payer side, they will reduce the consumption, and turn into saving/investment activities. However, finally it also will create real economy through investment project financing or credit instrument.

Besides that, zakat creates a balanced growth cycle. When a certain percentage of one's wealth is spent annually over the foregoing eight categories as prescribed in the Quran, zakat has a significant economic impact on society in Malaysia. Income support provided to the poor and needy would result in a measured increase of the money supply in the economy causing upward shift in demand for goods and services (Fuadah Johari, 2004)[13]. To support this upward shift in the demand for basic necessities of life such as food, clothing and shelter, the production facilities would gradually expand and begin to absorb the idle capital. In order to support the increased production, the economy would generate more jobs and new employment opportunities. This added employment in turn would generate more demand for goods and services, more room for additional investments, and finally, the growth cycle based on balance consumption would contribute to a balance economic growth (Patmawati, 2006)[14].

Research methodology

This study will explore the contribution of zakat distribution in reducing the burden of poverty among the new convert which will cover the poverty incidence, the intensity, and the severity of poverty among the new converts. To measure the poverty incidence, this study will use the head-count index (H) that shows the proportion of the poor households among the total households. The extent or depth of poverty is measured by using the mean income gap (P_1) and poverty-gap ratio (I). The severity of poverty, which includes the income distribution among the poor, will be measured by the Sen's index of poverty (P_2). The Sen's index is a comprehensive poverty measure, which incorporates the information on the number of poor (H), the extent of poverty, measured by income gap (I), and the Gini coefficient (G), as an indicator of income distribution among the poor.

The Gini coefficient (G) is used to represent the extent of inequality from this group. One way of viewing it is in terms of the Lorenz curve. Lorenz curve is the most common and the simplest way to analyze personal and households income distributions. It is a cumulative distribution plotting population share to the corresponding income share. In a perfectly equal distribution, the Lorenz curve would be a straight diagonal line from the

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[12] Dimas Bagus Wiranata Kusuma and Raditya Sukmana (2010); *The Power Of Zakat In Poverty Alleviation*, Seventh International Conference – The Tawhidi Epistemology: Zakat and Waqf Economy.

[13] Johari, F. (2004). Keberkensanan Zakat dalam Mengatasi Masalah Kemiskinan di Negeri Malaka. *Kuala Lumpur: Akademi pengajian Islam, University Malaya*.

[14] Patmawati Ibrahim. 2006. *The Economic Role of Zakat in Reducing Income Inequality and Poverty in Selangor*, PhD Thesis, Faculty of Economics & Management, University Putra Malaysia.

point of zero population and income to that of total population and income. If income is not distributed equally, the Lorenz curve will be a convex curve lying below the diagonal line. The poverty measures will be estimated on both data sets on the basis of national poverty line at MYR 810, to see the effect of zakat distribution on poverty to the society.

This study involves testing two sets of data. By using four most popular indexes in measuring the poverty; Household-count ratio, Income Gap, Poverty Gap and Sen Index, and the primary data survey based on Zakat Recipient Survey, this study first test the income data, before the amount of zakat distribution is included in the household income $f(y_1)$. Following Kakwani (1986), Fuadah (2004) and Patmawati (2006), the amount of the zakat transfer is subtracted from the income of the household in order to get the first set of income distribution. This result will give provide us with information about the burden of poverty incidence, extent and severity before zakat distribution based on the difference of their income and Poverty Line Index.

Secondly, we tested the income data after the zakat distributed by using the same poverty index measurement $f(y_2)$. This second results will provide us the information of the poverty incidence, extent and severity after zakat was distributed. To see the effect of zakat towards reducing the poverty, the result from both tests will be compared. The difference between the results of before and after the zakat distribution will give provides us with information about the effectiveness of zakat in reducing the burden of poverty incidence, extent and severity among the new converts in Selangor. The diagnosis of poverty will be described in terms of the following characteristics of households;

i)   Region

ii)   Gender of the household head,

ii)   Location by districts

iii)   The age of the households head,

v)   Household size

Respondents for this study are selected from the list of LZS zakat recipients of the new convert category, which is the target population. The first criteria for the respondent selection are those who have been receiving the zakat from LZS more than one year. With the cooperation and assistant of the zakat officer of LZS, the survey encompassed the entire nine districts of Selangor. Sample of the study are 78 households of the new converts households in Selangor.

Result

Table 1 presents the impact of zakat on households' monthly income of the new convert categories zakat recipients.

Table 1

Selangor: Changes in Monthly Household Income With and Without Zakat Distribution by District (MYR)

District	Income without zakat (RM) (1)	Income with zakat (RM) (2)	Amount of zakat distribution (RM) (3)	Percentage of zakat to the total income (%) (4) =[(3)/(2)] x 100
Selangor	94248	147265	53017	36
Urban area				
Gombak	8850	13755	4905 (9%)	36
Klang	17500	23712	5969 (11%)	36
Ulu Langat	21060	31402	10342 (20%)	25
Petaling	3600	4704	1104 (2%)	33
Rural area				
Ulu Selangor	16850	25515	8665 (16%)	23
Kuala Langat	1208	4708	3500 (7%)	34
Kuala Selangor	4500	6200	1700 (3%)	74
Sepang	19180	35268	16088 (30%)	27
Sabak Bernam	1500	2000	500 (1%)	46

Source: Research questionnaire

Table 1 shows the difference between the household monthly income before and after zakat distribution. From the table we can see that monthly household income has increased with the zakat distribution. The amount and percentage of zakat distribution varies among the districts. Sabak Bernam received the lowest amount of zakat distribution with only 1 per cent while Sepang is enjoying the highest with 30 per cent. This gives us a brief picture of zakat allocation which mostly centred in Sepang because this district has the highest amount of new convert. Overall, zakat distribution contributes 36 per cent to the total income of the new convert in Selangor. By districts, the percentage of contribution ranges in between 25 per cent to 74 per cent. Minimum contribution to the total income is received by Ulu Langat (25 per cent), while Kuala Selangor is enjoying the highest (74 per cent). The results indicate that although the some districts enjoying a huge number of zakat distribution among the new converts, it only give a small percentage of increasing their income (i.e: Sepang). While at some point, zakat distribution in Kuala Selangor district has a huge contribution towards increasing their income.

The result of zakat distribution on poverty to the poor are analysed by using three major poverty indices of Household-count ratio (H), mean income gap (P_1) and poverty

gap ratio (*I*) and Sen index (P_2) to reveal three major problems of: how many are poor, the extent or depth of poverty, and the severity of poverty. Table 2 presents a summary of the poverty measures of this study.

Table 2

Selangor Poverty Measures: Before and After Zakat Distribution

Items	Before Zakat Distribution				After Zakat Distribution			
	H_1	P_1 (MYR)	I_1	P_2	H_2	P_1 (MYR)	I_2	P_2
1) Region								
Urban	0.50	616	0.87	0.89	0.37	239	0.81	0.84
Rural	0.31	279	0.40	0.43	0.13	210	0.36	0.39
2) Gender of households head								
Male	0.39	607	0.83	0.85	0.33	210	0.78	0.80
Female	0.40	595	0.38	0.39	0.20	289	0.34	0.36
3) Age								
14-34	0.39	582	0.86	0.88	0.24	235	0.78	0.80
35-54	0.45	612	0.88	0.89	0.32	217	0.82	0.84
55 and above	0.55	650	0.86	0.88	0.33	248	0.80	0.83
4) Household size								
1-3	0.51	622	0.88	0.89	0.36	204	0.82	0.84
4-6	0.37	549	0.87	0.88	0.18	309	0.79	0.82
7 and above	0.25	710	0.76	0.78	0.25	210	0.71	0.74

Notes:

H: Household-count ratio (poverty incidence); P_1 : Mean Income Gap;

I: Poverty Gap Ratio; P_2 : Sen index of poverty

The poverty map reveals that poverty is concentrated among the urban region. It is because of high cost of living and also the number of new converts is higher the rural area. For the gender of household head, the family who had female household head is worst in poverty compared to male household head. It is because of the female household head has a disadvantage in terms of energy, time constrain and also limited in doing a certain job which is not suitable among female. Poverty is highest among the households' head belonging to the age of 55 and above. The poverty map also shows that poverty is prevalent among the households with 1 to 3 members, which normally applies to old folks/couple. It is observed from the map that the area with highest poverty incidence, also experiences the most severe form of poverty. From the table, we can see that those whose households with 7 and above enjoying the least poverty gap and exciding the Poverty Line Income (PLI) before and after zakat were distributed. It should be noted that although this group enjoys the highest zakat distribution, their income is still not enough to cover the whole family members compared to those who has less than 10 members in the family.

Income inequality

The value of Gini Coefficient varies from zero to one with zero indicating perfect equality and one perfect inequality. Table 3 presents the value of Gini coefficient with and without the distribution of zakat to the households' income, and the value of reduction index.

Table 3

Selangor: Gini Coefficient Value With and Without Zakat Distribution (by districts)

Districts	Without Zakat Distribution	With Zakat Distribution	Reduction Index
Selangor overall	0.58	0.53	0.05
Urban area			
Gombak	0.61	0.57	0.04
Ulu Langat	0.60	0.57	0.03
Klang	0.66	0.65	0.01
Petaling	0.55	0.50	0.05
Rural area			
Ulu Selangor	0.64	0.60	0.04
Kuala Langat	0.54	0.51	0.03
Kuala Selangor	0.66	0.64	0.02
Sepang	0.52	0.50	0.02
Sabak Bernam	0.66	0.62	0.04

From the table, income inequality in Selangor has improved quite significantly with the help of zakat distribution. Without the zakat distribution, income inequality slightly high with Gini coefficient value equal to 0.58 in Selangor overall and exceeding 0.04 in three districts and 0.02 in three districts. The worst income distribution prior to the zakat distribution is in Klang, Kuala Selangor and Sabak Bernam (G=0.59), and the least is in Sepang (G=0.52). With zakat distribution, income distribution becomes better when the Gini coefficient in all districts is declining. The values of reduction index show positive values indicating positive contribution of the zakat distribution to the income distribution. Thus, based on Gini coefficient index of inequality, prior to the zakat distribution, inequality in income distribution is high in Klang, Kuala Selangor and Sabak Bernam (0.66). The existence of zakat distribution has positively contributes towards more equal income distribution. Although the Gini coefficient value has improved, Klang (0.65), Kuala Selangor (0.64) and Sabak Bernam (0.62) remain to have the worst income distribution relative to the other districts. In other words, based on Gini coefficient inequality index, zakat distribution has improved the income distribution in Selangor towards more equal distribution.

This study analyses the size distribution of income of the households and the total income they received. All households are arranged by ascending household total income, and then divided into successive deciles according to ascending income levels. This determined the proportion of the total income received by each income group, shown in Table 4.

Table 4

Selangor: Size Distribution of Household Income With and Without the Zakat Distribution

Percentage of population	Percentage share in total income			
	without zakat distribution		With zakat distribution	
	Deciles	Cumulative deciles	Deciles	Cumulative deciles
10	0.65	0.65	2.11	2.11
20	1.91	2.56	3.76	5.86
30	4.22	6.78	5.15	11.02
40	5.84	12.62	6.33	17.35
50	6.81	19.44	7.30	24.65
60	8.17	27.60	8.56	33.21
70	9.46	37.07	9.76	42.98
80	10.69	47.75	12.35	55.32
90	15.85	63.60	16.29	71.61
100	36.40	100	28.39	100

Source: Research Question

Before the zakat distribution, the bottom 10% of the population enjoying only 0.65% of the total income as compared to the top 10% which enjoyed 36.40% of the total income. Alternatively, the bottom 40% of the population received only 12.62% of the total income, while the top 20% of the population enjoy 47.74% of the total income. By looking at the two extremes of very rich and very poor in the society, it shows that income distribution in Selangor prior to the zakat distribution is relatively very unequally distributed.

After receiving zakat distribution, the inequality in income distribution of the society slightly improved whereby the bottom 10% of the population receiving more than 2% of the total income whereas the top 10% of the population income portion reduced to 29%. This improvement is presented in the form of Lorenz curve by plotting population share to the corresponding income share, all in percentages in the following Figure 1.

Figure 1

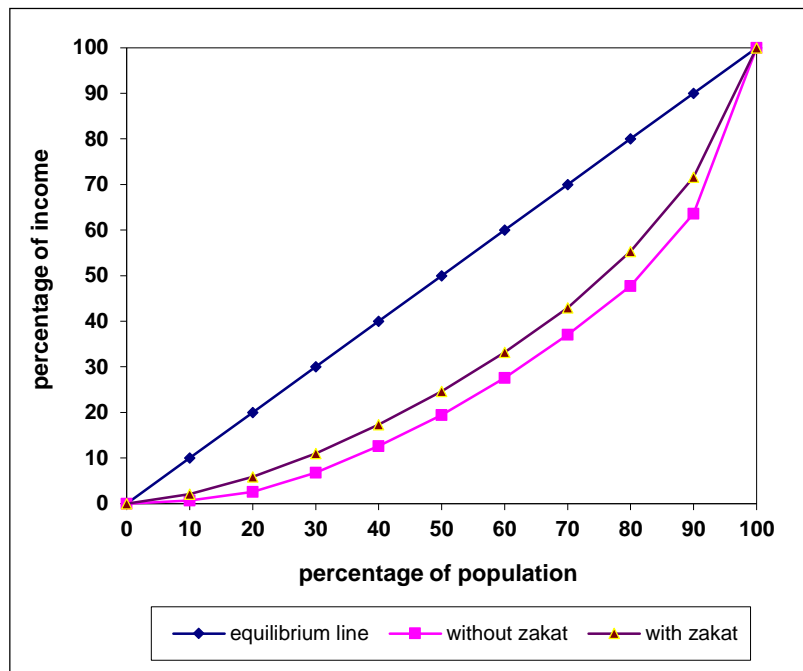**Selangor: Lorenz Curve with and without zakat distribution**

Figure 1 shows Lorenz curves for with and without zakat income distribution in Selangor. It is suggested from the curves that with zakat distribution, the Lorenz curve is closer to the perfect equality line (egalitarian line) as compared to the pre-zakat Lorenz curve. This means that with the zakat distribution, there is an improvement in the income distribution of the society towards more equal distribution.

With zakat distributions Lorenz curves of all the districts in Selangor are closer to the equilibrium line as compared to without zakat distribution. This condition indicates that post-zakat income distribution is more equally distributed as compared to the pre-zakat income distribution. The Lorenz curve of the with-zakat distribution is more equally distributed compared to without-zakat. This indicates, zakat distribution led to a more equitable distribution to the low-income group. This is in line with the objective of zakat distribution to improve the income distribution of the low- income group.

Discussion

Analysis on poverty in this study is based on poverty line income of MYR 810 has shown a positive result on poverty incidence, extent and severity of income due to zakat distribution. Zakat distribution in Selangor has only give a small improvement in the mean income and poverty gap of the new converts. Results on poverty analysis of this study seem to be encouraging. The results from the household-count ratio, the mean income gap, the poverty gap ratio and Sen's index measures suggest an improvement in income distribution after zakat is distributed. It means that this study has proven the positive contribution of zakat in reducing poverty.

This study has also identified that poverty is more serious on the urban area. This region has the highest poverty incidence (H), mean income gap (P_1), poverty gap ratio (I) and poverty severity (P_2) before zakat was distributed and after zakat distribution compared to rural area. A large scale of urbanization that has swelled the ranks of the urban poor the main reason that contributes a large number of poverty in that urban area. The migration of rural low-income groups into the urban areas, the influx of the foreign workers and the results of increase in unemployment have contributed to the rise in poverty rates in that area while at the same time pressures the urban services, infrastructure and the environment. As a result, poverty, which has long been predominantly in a rural area, has become more urbanized. Low levels of education or skills, lack of employment opportunities, low wages, large family size and lack of basic amenities are among the factors that cause urban poverty.

From the poverty map, it is noted that poverty is prevalent among the households with female households head. Most of the previous study about poverty agreed that female households head women have higher poverty rates than men in almost all societies. There are two main reasons poverty is more serious among female household head; 1) lower income due to lack of capability to work in a job that is dominantly by male, and 2) single mother who life with children. For a female headed household, finding a job that is suitable with their capability, skills and qualification will be hard mostly with the competition from male gender. Most company will preferred to pay for male gender for they have more strength and capability in doing various jobs. While this had left the female gender only one more choice, that is to involved in doing hard work such as working in security (i.e; Factory or school) and driver (i.e; bus driver) which is not all female gender is capable to do it. Having children in the household affects the likelihood of poverty in one definitional way. Since the poverty line is adjusted for household size, the presence of children in a household raises the income necessary for the household to escape poverty, and thus, income equal, single adults who live with children are more likely to be poor than those who live alone. Single mother are much more likely to live with children than single men, since women usually have custody of the children in cases of divorce or no marital births. Thus, even if single men and women had equal earnings, more of the women than the men would be in poverty by virtue of supporting children.

Poverty is also common among the households' head at the age of 55 and above. Normally, this group does not have the opportunity to go to school at their schooling age, consequently did not qualify for a better-paid job. Survey carried out suggests that most of the households with 1 to 3 members of households consist of an old couple, who are no longer economically productive has the highest poverty burden. The poverty map as earlier stated, shows where poverty is concentrated in Selangor, and consequently which are the most affected group of poverty. Hence, it shows where zakat distribution might have the greatest effect on poverty.

The income inequality results also reveals that zakat distribution has improved the income distribution among the new converts. Income distribution in all region had shown a reduction and this indicate that it is more unequal among the new converts.

Conclusion

Zakat distribution has proven its effectiveness in improving per individual monthly and daily income for zakat recipient in Selangor. This effectiveness is proven with the improvement of monthly income for all selected characteristics after the zakat distribution. Analysis on poverty in this study has shown a positive result on poverty incidence, extent and severity of income due to zakat distribution. Zakat distribution in Selangor has only give a small improvement in the mean income and poverty gap of the new converts. The results from the household-count ratio, the mean income gap, the poverty gap ratio and Sen's index measures suggest an improvement in income distribution after zakat is distributed. Results on income inequality of this study seem to be encouraging. It means that this study has proven the positive contribution of zakat in reducing poverty and income inequality.

Acknowledgement

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