The Digitalized Zakat Management System in Malaysia and the Way Forward

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Abstract:
The development of technology and innovation has a significant influence on the current financial markets. Introducing new business models and transferring from traditional markets to the digital markets through those technologies are some ways of digital transformation. Zakat system has been a great part of Islamic economics and the financial system which has to embrace digitalization to be compatible with the current digital era. This research aims to address the current status of digitalization about the zakat
management system in Malaysia and to explore the necessary improvement in embracing the digitalization by the zakat institutions. The research adopts a qualitative research approach where it collects the data from various sources such as books, journals, conference papers, and other relevant websites. To analyze the data, the research employs a descriptive and exploratory research technique. This study finds that despite having websites by the zakat institutions in Malaysia, the zakat system has a lack of data set of āṣnāf and proper data for the collected and distributed funds. Digital transformation is needed to observe the check and balance of the zakat funds’ collection and distribution. In addition, human development through zakat funds needs to embrace more development through digitalization. Moreover, the zakat institutions are encouraged to advance their readiness and understanding of technologies and innovation to embrace digital assets and their zakat-ability.

**Keywords:**
Zakat; Digitalization; Management; Āṣnāf; Financial Technologies

**Abstrak:**
Perkembangan teknologi dan inovasi memiliki pengaruh yang signifikan terhadap pasar keuangan saat ini. Memperkenalkan model bisnis baru dan berpindah dari pasar tradisional ke pasar digital melalui teknologi tersebut adalah beberapa pendekatan transformasi digital. Sistem zakat yang merupakan instrumen penting dalam perekonomian dan sistem keuangan Islam dipandang perlu menerima digitalisasi agar dapat bergerak sejalan dengan perkembangan era digital. Penelitian ini bertujuan untuk menjelaskan posisi digitalisasi saat ini dalam sistem pengelolaan zakat di Malaysia dan untuk mengeksplorasi perbaikan yang perlu dilakukan dalam rangka penerapan digitalisasi oleh lembaga zakat. Penelitian ini menggunakan pendekatan kualitatif dimana data dari berbagai sumber seperti buku, jurnal, makalah konferensi dan website lain yang relevan dikumpulkan. Sedangkan analisis data dilakukan secara deskriptif dan eksploratif. Penelitian ini menemukan bahwa meskipun lembaga zakat di Malaysia memiliki website, sistem pengelolaan zakat masih memiliki
kekurangan seperti pencatatan asnaf dan pencatatan dana zakat yang terkumpul dan disalurkan yang masih perlu ditingkatkan. Transformasi digital diperlukan sebagai media check and balance dalam penghimpunan dan penyaluran dana zakat. Selain itu, pembangunan manusia melalui dana zakat dapat dikembangkan dan diperbaharui melalui digitalisasi ini. Selain itu, lembaga zakat didorong untuk meningkatkan kesiapan dan pemahaman teknologi dan inovasi untuk mengeksplorasi aset digital dan kemampuan zakatnya.

Kata Kunci:
Zakat; Pendigitalan; Pengelolaan; Aṣnāf; Teknologi Keuangan

Introduction
The growth of technology and innovation is inevitable as evidenced by the world embracing the advantages of technology and innovation at various levels and purposes. Artificial intelligence, big data, data analytics, cloud computing, and so on are some drivers of digital transformation. Financial technologies (fintech) also play a great role in promoting financial facilities and providing ease of access to financial matters. Fintech does not only assist the banking, takaful (sharia assurance), and capital markets but also expands the Islamic social finance such as zakat (compulsory alm), ṣadaqah (not a compulsory charity), and waqf (endowment) to a better level.

The conversion of analog signals into a digital form is considered digitalization. It is also a phenomenon of socio-technology and the embracement of digital technologies by an individual or a company.¹ In another word, digital transformation is the way of evolving businesses and societies through modern technology.²


Digital transformation is unavoidable since it improves the business and companies’ processes and lets the business evolve and remain competitive with the current digital era and the markets. Moreover, the digital transformation improves the productivity of a business by cutting the cost of labor and making it attractive to the tech-savvy customers by providing the business at their convenience. At the same time, the business will not be left behind in the competition while other businesses are embracing digital transformation.

Since fintech and innovations have rapidly grown and social finance has to be compatible with such growth, the zakat system must also fit into this trend. The collection and distribution of zakat through fintech will likely assist to fulfill the objectives of zakat more broadly. Similarly, the management of zakat will find a better way to embrace the changes and provide better alternatives in the digital era. In this regard, Fahmi Ali Hudaefi notices that embracing the digitalization of zakat through fintech is growing significantly and has a bigger potential. Furthermore, many studies claim that the efficient management of zakat can lead to its success in eliminating poverty and establishing socio-economics justice while fulfilling the objectives of shari‘ah in circulating the wealth among people.

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3 Ibid.
In the context of Malaysia, Ebtehal Atta Elsayed and Yuserrie Zainuddin find that Malaysian zakat institutions need to improve their Zakat Information System Technology (ZIST) which will consequently increase the zakat performance. Moreover, the adoption of technology and innovation is necessary for the zakat institutions in Malaysia to be effective in distributing zakat to *āṣuāf* (eligible recipients of zakat), managing the funds, and garnering the confidence of the public. This will in turn significantly change the concept of zakat among the public.

Practically, Malaysia manages zakat under the state law in which the State Islamic Religious Council (SIRC) is the responsible authority to control the management of zakat throughout the country. However, to provide better services and facilities through zakat, some states privatize the management of zakat bypassing the authority to a certain individual company/institution to perform the duties of collecting and distributing the zakat. They are responsible

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to collect the zakat from eligible Muslims who fulfill the requirements of obligation to pay zakat through several available means. They range from physical booths in mosques, online payments from bank accounts, and deduction from salaries, to the likes. In addition, zakat institutions also take the responsibility of identifying asnāf and distributing zakat based on their needs. The institutions also support asnāf in educating, training, and developing their skills and experiences for sustainability purposes. Therefore, it makes sense for Abdalrahman Migdad\textsuperscript{11} to consider that Malaysia is among the Muslim countries to establish such proper management of zakat which is regarded as the pioneer in this matter.

Despite having such an exemplary zakat management system, there are some pitfalls that some studies have highlighted for further consideration by the zakat management for their betterment. According to Hairunnizam Wahid et al.\textsuperscript{12} Abdullah Al-Mamun, and Ahasanul Haque,\textsuperscript{13} the management of zakat in Malaysia requires improvement in the efficiency and transparency since many zakat payers find a lack in both factors among zakat institutions. The study of Ram Al Jaffri Saad et al.,\textsuperscript{14} meanwhile, shows that many of their

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\textsuperscript{12} Hairunnizam Wahid, Radiah Abdul Kader, and Sanep Ahmad, "Localization of Zakat Distribution, Religiosity, Quality of Life and Attitude Change (Perceptions of Zakat Recipients in Malaysia)," in \textit{the 13th Malaysia Indonesia Conference on Economics, Management and Accounting (MIICEMA)}, Palembang, Indonesia, 2012.


\textsuperscript{14} Ram Al Jaffri Saad, Muhammad Syahir Abdul Wahab, and Md Hairi Md Hussain, "Perceived Service Quality of Zakat Institution among Muslim Businessmen in Malaysia," in \textit{the 3rd International Conference on Applied Science and Technology (ICAST’18)}, Penang, Malaysia, 2018.
respondents find competence, responsibility, access, and communication are not at a satisfactory level for zakat management.

Several relevant studies\(^\text{15}\) also find that the distribution of zakat to eligible \(\text{\textit{a\text{\textsuperscript{n}}\text{\textit{a}}}f}\) takes almost one to two weeks from the time of application until the distribution. This indicates that the bureaucracy is quite slow in distributing the zakat. Regarding the report on the collection and distribution of zakat, Shamharir Abidin et al.\(^\text{16}\) and Roshaiza Taha et al.\(^\text{17}\) find that there is a lack of transparency in providing the details of the collection of zakat and distribution from the zakat institutions. Additionally, some institutions do not disclose the surplus amount of zakat which results in reducing the trust level among the zakat payers towards the zakat institutions.

The current zakat management system in Malaysia is still developing and requires further improvement in many aspects.\(^\text{18}\) For instance, the Malaysian zakat institutions have websites that provide basic information and show the recent activities of the contribution.\(^\text{19}\) Additionally, the websites give zakat payers access to information and options for zakat payment, such as a zakat institution where they can apply for zakat funds and details on the fund's eligibility requirements. Therefore, the objectives of this study are to answer the questions: (1) where does the zakat management system in Malaysia


\(^{17}\) Roshaiza Taha et al., "Zakat Fund in Malaysia: Where Does It All Go?" Management & Accounting Review (MAR) 16, no. 1 (2017): 141.


\(^{19}\) Salleh and Chowdhury, "Technology Adoption among Zakat Institutions in Malaysia."
stand in embracing digitalization? and (2) what are the possible improvements that the zakat management system in Malaysia is required to do through digitalization? The novelty of this research relies on the issues and solutions discussed herein intensely regarding the digitalized zakat management system which has not been much done previously.

Method

The study employs a qualitative research approach to have an in-depth understanding of the current zakat management system in Malaysia while looking for the inevitability of the development of innovation and technologies for zakat management. The qualitative research approach is useful in research because it examines a subject matter with careful consideration of numerous factors and interprets it with a broader perspective and clearer understanding.20 This approach suits the current study since its objectives are to review the current progress of zakat management in Malaysia and to explore the necessity of adopting more technology-based services to manage the zakat system in Malaysia.

The research studies available literature through books, articles, conference papers, websites of zakat institutions, and other relevant online resources. Additionally, to fulfill the objectives of this research, the researchers engage in descriptive and exploratory approaches. A descriptive approach helps a researcher to discuss a service, situation, problem, or phenomena systematically and to provide an accurate representation of the subject matter.21 This research uses the descriptive method by providing an overview of the current status of the zakat management system in Malaysia. The exploratory approach, meanwhile, is used to have a better understanding of a problem that has not been well defined. In such a situation, a researcher starts the study with general ideas which leads

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to identifying some issues that future studies need to carry out.22 This study attempts to find out general ideas of the zakat management system in Malaysia while exploring the current issues and finding out new insights as well as the potential development of zakat management through digitalization.

**Discussion and Result**

**Some Issues to Consider by Zakat Institutions for Digitalization**

Zakat management in Malaysia encounters some challenges in fulfilling the responsibility of collection and distribution in terms of efficiency, transparency, and digitalization. Therefore, this study highlights some following issues that zakat management should consider to improve and develop to cater to the needs of digitalization while realizing the objectives of zakat in this modern era using modern tools.

**a. Unavailability of Data of Ḥāsināf**

The digital transformation of ḥāsināf data is promising for the betterment of zakat management all around the world including Malaysia. The data of ḥāsināf can track the current situation of the recipients, their current needs, and whether zakat has any advantages in their socioeconomic life. The data might also help to track the effectiveness and the development of the zakat distribution.23 Similarly, it will help zakat institutions to provide the data for zakat payers to educate, encourage and remind them of their annual payments.

However, it has been noticed that an organized data set of ḥāsināf is missing except for some basic information like name and address that were recorded by institutions’ personnel for their references. Proper and detailed data is yet to be set by the zakat institutions.

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authorities. This research thus urges the zakat authorities to consider arranging such facilities and make it possible for their personnel to compile the data of the āṣnāf. Without having such a data set, many of those needy will be left out and will not get the zakat that they deserve for.\[^{24}\]

To collect the data of āṣnāf, the zakat institutions might consider several steps such as allowing āṣnāf to register themselves through mobile phone applications or the website of zakat institutions. However, since many āṣnāf might not be able to reach those facilities to register, the zakat institutions might appoint some staff to open booths nearby residential areas where āṣnāf can come and get themselves registered with the staff. The data of āṣnāf can include their name, address, contact number, kin, current financial status, and skills that can be enhanced through the zakat fund. All those information should be kept under the supervision of zakat institutions on their respective websites. Meanwhile, some necessary information should be available for other zakat institutions to cooperate in the collection and distribution of zakat. The zakat institutions must also uphold the privacy and confidentiality of āṣnāf information.\[^{25}\] They should first get consent from āṣnāf to use their data for research and development of zakat management and other purposes. Moreover, the zakat institutions could use the data to track the progress of āṣnāf receiving the zakat fund and to improve the effectiveness of zakat distribution.

Additionally, the compiled data might also help the zakat institutions to compare and contrast the area/state of āṣnāf and the need for distribution of zakat for that area/state. This is particularly because the current practice does not channel the surplus zakat amount from one state to another. Therefore, the data could provide the necessary information to the authority for transferring the zakat fund to other states with the higher number of āṣnāf who are in dire


need of financial aid instead of bringing forward the surplus to next year.26

b. Inadequate Zakat Funds for Human Development

Zakat aims to assist the needy and other categories of asnāf to develop and balance the socio-economic status of the community. It helps the needy to fulfill his/her necessities and to be an essential part of society. It is therefore important to highlight that human development through zakat has immense potential.27 The efficient distribution of zakat by the learned organization can confirm that zakat is utilized by providing asnāf with some basic skills of entrepreneurship, business, and knowledge.28 Based on those skills and their previous expertise, asnāf could find ways to meet the basic needs of their lives and fulfill their socioeconomic responsibilities in the community.

Ik Balyanda Akmal et al.29 highlight that the zakat distribution can be categorized into two; consumptive and productive. The consumptive zakat can cover foods, health, and clothes. Meanwhile, the productive zakat includes all other types of skills and tasks that help asnāf to produce something new or help them to utilize zakat for something beneficial in a long run. However, the current practice of zakat institutions or individual zakat donation shows that a bigger portion of zakat goes to the first type while the second receives minimal allocation. It can be one of the reasons that hinder the benefit of zakat realized. Allocating higher amounts and providing more

helpful stuff to āṣnāf, especially in the productive schemes will hopefully lead them to be zakat payers in the future. This will then fulfill the objectives of sharī‘ah for zakat in establishing justice and balance in the socioeconomic nature.

Human development includes educational, economic, and social development. Regarding educational development, the zakat funds can focus on the development of the education sector by providing scholarships or free access to educational materials. The zakat institutions might consider the education of elderly people, orphans, street children, and refugees as a part of āṣnāf (as long as they fall under any categories of āṣnāf). In such a case, they will be able to learn and find their way to enhance and improve their lives without receiving zakat anymore. Moreover, educational development is necessary since it shapes the brain and way of thinking while helping people to know how to deal with their wealth, earn halal income, and spend it effectively and righteously.³⁰

As highlighted earlier, zakat is one of the potential economic support to uphold socio-economic justice. Therefore, it should be utilized for the betterment of people in need. Zakat might also help them to fulfill their daily necessities like food, clothes, and a shelter/house. Additionally, it can provide support to perform their duties as a part of the community such as being an educated person to teach others and being financially able to develop the public infrastructures like mosques, schools, playgrounds, and so on.³¹

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importantly, once aṣnāf can take care of themselves, they might not get involved in any illegal activities such as thievery, unethical earnings, and so on. Moreover, it will give them the confidence to stay viable in the community with their little contribution and services that they might be able to perform. In short word, zakat plays an important role in social development.

The digital transformation is necessary for such development to allocate and provide a sufficient funds to aṣnāf while observing their knowledge, expertise, and skill to improve all these. Due to the high dependency on smart devices like mobile phones, computers, and other devices used in industries, a person must adopt all these devices to better survive in this digital era. In such a case, the zakat institutions might consider giving intensive training to aṣnāf to make them competent to cope with any current era’s challenge. More particularly, special crowdfunding can be introduced to the zakat institutions for aṣnāf with basic skills and expertise to be entrepreneurs. The zakat fund, for instance, can establish training centers for the aṣnāf to build new skills so that they could be entrepreneurs. Otherwise, the training can be about services like cleaning, washing, and fixing stuff. Aṣnāf might get a certain zakat amount to open their shops for food or any other things that ease their livelihood with close monitoring so that the money is not wasted or wrongly utilized.

c. The Inefficiency of Zakat Collection and Distribution

The benefits of zakat mostly depend on how zakat is managed and distributed among aṣnāf. The proper management of zakat will help the country in creating a balanced economy between the rich and the poor. In simpler words, when zakat is collected from the rich and properly distributed to the poor, the poor will have better purchasing

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power and subsequently contribute to national economic growth.\textsuperscript{33} Malaysia has been developing all possible ways to properly manage and utilize the zakat funds. Moreover, the establishment of SIRCs as responsible authority to control the matters on zakat has made zakat more viable and beneficial to Malaysian society, especially the poor.\textsuperscript{34}

Regarding the collection and distribution of zakat, Saad and Abdullah\textsuperscript{35} highlight that there was an irregular amount of collection and distribution of zakat in several states. For example, the total amount of zakat distribution in Selangor for 1994, 1995, and 2005 was higher than the zakat collection of other states in the corresponding years. On the other hand, Pahang and Johor distributed the zakat funds at a lower percentage than 100\% which were 43.9-78.6\% and 81\%, respectively. Meanwhile, the data on the amount of zakat collection and zakat distribution in Malaysia, from 2016 to 2020, can be seen in Table 1, and Table 2, respectively.

\textsuperscript{33} Meerangani, "The Effectiveness of Zakat in Developing Muslims in Malaysia," 131.


Table 1. The Total amount of Zakat Collection by Zakat Institutions in Malaysia

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<tbody>
<tr>
<td>JOROR</td>
<td>300,805,526.51</td>
<td>311,721,367.23</td>
<td>285,784,094.35</td>
<td>260,671,907.01</td>
<td>254,456,478.20</td>
</tr>
<tr>
<td>KEDAH</td>
<td>217,913,020.82</td>
<td>206,055,569.81</td>
<td>183,556,547.63</td>
<td>170,030,088.00</td>
<td>149,446,120.00</td>
</tr>
<tr>
<td>KELANTAN</td>
<td>202,854,987.00</td>
<td>195,139,000.00</td>
<td>183,934,916.35</td>
<td>178,303,841.60</td>
<td>162,679,760.00</td>
</tr>
<tr>
<td>MALACCA</td>
<td>100,720,981.80</td>
<td>98,838,068.55</td>
<td>87,815,011.74</td>
<td>85,586,531.92</td>
<td>79,537,675.73</td>
</tr>
<tr>
<td>NEGERI SEMPILAN</td>
<td>144,088,231.79</td>
<td>141,521,193.35</td>
<td>131,116,487.35</td>
<td>124,485,035.43</td>
<td>104,700,383.36</td>
</tr>
<tr>
<td>PAHANG</td>
<td>165,280,316.30</td>
<td>167,220,290.72</td>
<td>138,698,397.46</td>
<td>133,655,623.00</td>
<td>122,246,868.33</td>
</tr>
<tr>
<td>PERAK</td>
<td>130,875,352.57</td>
<td>121,432,704.21</td>
<td>119,734,212.91</td>
<td>101,454,342.72</td>
<td>98,731,454.11</td>
</tr>
<tr>
<td>SELANGOR</td>
<td>191,633,580.59</td>
<td>207,187,063.49</td>
<td>176,246,175.19</td>
<td>170,804,837.16</td>
<td>151,181,669.12</td>
</tr>
</tbody>
</table>

Source: Zakat Collection Statistics throughout Malaysia[^36].

Table 2. The Total amount of Zakat Distribution by Zakat Institutions in Malaysia

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>JOROR</td>
<td>226,837,053.40</td>
<td>220,303,512.04</td>
<td>217,379,156.29</td>
<td>215,755,892.80</td>
<td>214,480,715.00</td>
</tr>
<tr>
<td>KEDAH</td>
<td>185,868,217.47</td>
<td>183,622,921.12</td>
<td>175,403,603.20</td>
<td>172,830,740.44</td>
<td>162,733,285.08</td>
</tr>
<tr>
<td>KELANTAN</td>
<td>185,554,347.88</td>
<td>183,017,281.00</td>
<td>173,928,430.32</td>
<td>165,807,240.08</td>
<td>157,149,840.08</td>
</tr>
<tr>
<td>MALACCA</td>
<td>80,269,094.00</td>
<td>84,629,293.09</td>
<td>77,073,649.00</td>
<td>75,387,654.00</td>
<td>-</td>
</tr>
<tr>
<td>NEGERI SEMPILAN</td>
<td>114,327,234.28</td>
<td>121,495,386.16</td>
<td>127,788,688.30</td>
<td>-</td>
<td>102,857,136.92</td>
</tr>
<tr>
<td>PAHANG</td>
<td>134,491,563.96</td>
<td>148,787,912.17</td>
<td>141,910,722.23</td>
<td>-</td>
<td>114,886,480.08</td>
</tr>
<tr>
<td>PERAK</td>
<td>126,581,574.21</td>
<td>111,384,071.79</td>
<td>103,010,171.69</td>
<td>98,762,721.01</td>
<td>100,987,857.08</td>
</tr>
<tr>
<td>SELANGOR</td>
<td>215,047,599.00</td>
<td>215,839,278.44</td>
<td>171,489,516.00</td>
<td>171,547,679.50</td>
<td>143,633,214.00</td>
</tr>
</tbody>
</table>

Source: Zakat Distribution Statistics by State[^37].


Comparing the recent zakat collection, table 1, and the recent zakat distribution, table 2 above, it can be seen that many of the states did not distribute almost 3% to 5% of the collection for that period. For example, Kedah collected MYR 217,913,020.82 in 2020 while it only distributed MYR 195,698,217.47 in the same year. It reveals that more than 5% of the collection has been forwarded and undistributed. This generally shows the irregular and ineffective distribution of zakat funds in Malaysia. Lubis et al.\textsuperscript{38} reveal that in certain cases, the distribution does not reach its expected targets. Their study finds that every year, the percentage of the recipients is increasing which shows that zakat was not properly distributed among the recipients. The study also finds that every year, 15% of the zakat fund is left undistributed.

The study of Shah and Hassan\textsuperscript{39} shows that the contribution of Zakat Collection Centres (also known as Pusat Pungutan Zakat; PPZ) and several banks (Bank Islam Malaysia Berhad, Bank Rakyat, and Maybank) focused on giving more allocation to the \textit{fi sabīlillāh} (for the cause of Allah) group of \textit{asnāf} which consists of medical aid, scholarship, marriage aid, and hire purchase deposit for a taxicab. However, inconsistency in the total collection and distribution for several years is also reported based on the data of the banks. Ali et al.\textsuperscript{40} note that the current zakat distribution in Kelantan focuses on shelter, food, cloth, medical, education, and traveling \textit{fi sabīlillāh}. However, other necessities such as medical \textit{takaful}, expenses for pregnant women and nursing mothers, advancement of knowledge

\textsuperscript{38} Lubis et al., "Enhancement of Zakat Distribution Management System: Case Study in Malaysia."
for the household head, and fulfillment of religious and spiritual activities are also important aspects that can help asnāf do not have a specific allocation yet.

Many studies have discussed the current efficiency and the performance of the zakat management system. Razimi et al.,41 for example, highlight that the inefficiency of the zakat management system would be evidenced by the increase in the number of the poor in the country. They assumed that misuse of the zakat fund will tarnish the reputation and image of the zakat management authority. Moreover, the study also notes that the zakat funds were not utilized to build the capacity of asnāf to be self-sufficient. On the other hand, eligible zakat payers are not properly aware of their zakat obligation which leads to an imbalance between the increase in the number of the poor and the total number of eligible zakat payers. The capacity-building approach may very well turn asnāf of today into zakat payer of tomorrow.42 Similarly, Taha et al.,43 highlight that despite Malaysia being one of the excellent countries to manage the zakat funds, the management system of zakat is still inefficient. The study shows that though zakat is supportive in reducing poverty, it is still unable to increase the monthly income of asnāf.

Despite having many studies criticizing the efficiency of the zakat management system in Malaysia, the study of Jaapar and Kamarulzaman44 sheds a positive light on the development and improvement of the efficiency level of the zakat management system. The study reports that the zakat collection and distribution in Perak is improving from year to year through the efforts undertaken by Perak SIRC. The year 2017 recorded the highest efficiency level in zakat

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43 Taha et al., "Zakat Distribution in the East Coast: Recipients' View," 255-266.
collection, while 2015 recorded the highest efficiency level in zakat distribution.

Regarding the satisfaction of ḥansāf, the zakat management system in Malaysia constantly strives to fulfill their basic and vital needs. Many ḥansāf are happy to receive the zakat fund from the SIRCs although in many cases, the amount of the zakat fund is insufficient. Apart from basic help, there are also some capital assistances drawn from the zakat collection to help ḥansāf establish a business. This is very supportive and effective as evidenced by their business success stories and the fact that they then stopped being ḥansāf.

According to the researchers, zakat management in Malaysia can improve the efficiency level and better performance through the digitalization of the entire process from the collection of zakat from the payers to the distribution of zakat to ḥansāf. In such a case, the payment channel of the zakat should provide more options to the payers so that no one finds any difficulties paying their zakat and he/she can pay zakat at their fingertips. In doing so, it will boost the zakat collection from various levels of zakat payers. Electronic wallet (e-wallet), digital money, online banking, payment terminal, online commercial platforms such as Shopee and Lazada, and other modern ways can be used as payment channels of zakat besides having the physical booth in mosques. Regarding the distribution of zakat, the fund can be channeled to bank accounts of ḥansāf (if available), or a digital card can be produced for ḥansaf which allows them to withdraw money from certain bank’s ATM (Automated Teller Machine) or distribution centre. Digital coupons can also be provided to ḥansāf on special occasions like Eid which allows them to purchase necessary items.


d. Delay in Distributing Zakat to Aṣnāf

Zakat is collected in Malaysia through several channels such as physical booths in mosques, by post, salary deduction, and payment through bank transfer facilities. However, some people like to give the money directly to Aṣnāf which gives them more satisfaction in fulfilling a religious obligation. Receiving zakat at a right time or when it is needed by Aṣnāf could help them cater to their basic needs and avoid any type of problem arising from delayed access to financial aid. Therefore, it is necessary to hand over zakat to Aṣnāf as soon as it is paid by the zakat payers. Some studies found that the main shortcoming in the zakat management system according to Aṣnāf is that it is taking quite some time for the application and disbursement of the zakat fund. A certain state like Melaka even takes approximately two to three weeks from application to disbursement of the zakat fund.

Some other studies highlights that there are some states in Malaysia where the zakat amount collected in a year has a balance till the next year. It means that the full amount of zakat is not distributed to Aṣnāf in the collection year and an amount of money is taken forward for the next year. The practice of saving the zakat fund can be beneficial in a sense when it can be proved that Aṣnāf are fully satisfied

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51 Ahmad, Othman, and Salleh, "Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management," 146.
52 Taha et al., "Zakat Fund in Malaysia: Where Does It All Go?" 137-166.; Taha et al., "Zakat Distribution in the East Coast: Recipients' View," 255-266.
with the zakat distribution and the poverty level has been lifted through the proper distribution. However, the current poverty level or the status of ḍnāf does not show that it has covered all the necessities of the needy people while a portion of zakat has been taken forward to next year’s portfolio. In such a case, the digital transformation is needed to evaluate the current practice of keeping forward to the next year by looking at the necessities and interests of ḍnāf and the fund that has been forwarded.

The digital zakat system might indicate a better solution and proper distribution of zakat surplus in various ways: (a) the zakat institutions can calculate the total amount that has been collected from the zakat payers and the estimated amount that ḍnāf might need in a certain state for their daily necessities. Therefore, they can decide whether they can cater to the needs of ḍnāf or bring forward a certain amount to the next year; (b) in the case of the significant amount of surplus from a state, a certain amount can be considered to transfer to another state. This might happen where the collection amount is not enough to cater to the needs of their ḍnāf or any emergencies that occurs by natural disasters where people unusually require more financial assistance. This scheme can be done professionally once the zakat institutions adopt a digital medium to control the collection and distribution measure; (c) the zakat institutions can make registration and other necessary documentation through the digital system that will enable them to pay zakat to ḍnāf upon application. This scheme will reduce the time period time application to the disbursement of zakat; (d) the zakat institutions can distribute zakat through e-wallet and other relevant means to make the process of distribution much faster and convenient to ḍnāf who have access to the platform.

e. Digital Awareness and Promotion of Zakat
Since the current era is getting into the digital transformation rapidly, it is of vital need to educate the rich to perform their

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obligation toward the poor and to know the necessary information of zakat such as which wealth/property is zakatable (things that eligible to be paid as zakat), including how much to pay zakat, when and whom to pay zakat. The awareness and promotion of zakat can be done through social media such as Facebook, Instagram, Twitter, WhatsApp, WeChat, YouTube, TikTok, and so on.

To ease the calculation of zakat and to estimate the amount, the electronic calculator and robo-advisory (a type of brokerage account that automates the process of zakat) might help. Artificial intelligence (AI) can also help immensely in providing the basic information about zakat, the wealth that can be zakatable, and the method of calculation of the total zakat.\textsuperscript{54} AI might show the list of the property that are zakatable and once there are new types of assets or business, AI might update the information and suggests whether to include those new types of assets or business in the zakat list. Moreover, it might also suggest unlisted \textit{aṣnāf} categories while their existing profile might be useful to determine which need urgent support based on the necessary level. To sum up, such practice and transparency might help the zakat institutions to have a higher efficiency level in their performance.\textsuperscript{55}

The zakat institutions might also consider giving more updates through social media on the collection of zakat throughout the year to provide a transparent report to the public. This might help people to know and be encouraged to add an extra amount for their next payment. Moreover, the zakat payers might be interested to know whether their zakat has been utilized properly or not and whether it has been distributed among the needy or not. In such a case, the social media updates and data provided by the zakat institutions might help to satisfy and impress the zakat payers and motivate them to comply with their zakat payment.

\textsuperscript{54} Anis Shakirah, "The Need to Adopt Technology in Zakat Administration," Global Sadaqah, https://www.globalsadaqah.com/blog/technology-zakat-administration/.

\textsuperscript{55} Taha et al., "Zakat Fund in Malaysia: Where Does It All Go?" 141.; Taha et al., "Zakat Distribution in the East Coast: Recipients’ View," 260.
f. New Potentials for Zakatable Assets

The current development of technology and innovation results in the initiation of digitalization of business and financial facilities as well as the creation of many digitalized assets and properties. A digital asset is referred to an asset or property that is in electronic form with value such as the logo of a company, software, data, images, audio, videos, designs, electronic documents, entertainment and educational media contents, electronic money, and digital currency. More interestingly, the current digitalization of businesses and financial facilities is shaping the financial market’s viewpoint to a new level.\textsuperscript{56} Moreover, digital assets such as online content i.e. YouTube videos, and social media accounts are considered to have extensive value in the current socio-economic markets.

In such a case, a Muslim account holder of those digital assets should consider paying zakat once his / her wealth reaches the *nīsāb*. The zakat institutions should explore those digital assets and describe the shari‘ah ruling of those assets in terms of paying zakat through digital assets as well as any possible uses of digital assets for *aṣnāf* to access zakat fund. Having some guidelines on digital assets and imposing zakat on them will ease the zakat payers to understand their duty of paying zakat and consequently, it will boost the zakat collection from various financial markets. It is worthy to note here that cryptocurrencies are booming all around the world. Bitcoin, Ethereum, and Litecoin are some of the outputs of cryptocurrency that are the talking point of financial matters around the globe.\textsuperscript{57}


The Shari‘ah ruling on cryptocurrency is still a questionable matter among Islamic scholars. Some of them consider it permissible with some strict rules, while others still view cryptocurrency as impermissible. Despite the conflict of scholars regarding its permissibility, since cryptocurrency is one of the digital assets in some countries, it is a vital issue to consider whether it will be a zakatable asset or not.

It should also be highlighted that since cryptocurrency is booming everywhere, the consideration of the zakat-ability of cryptocurrency will open a new portfolio of zakatable assets in this digital era. Consequently, zakat will be collected accordingly from the cryptocurrency holders/owners based on the ruling of zakat and its standard. Zakat collection and distribution from cryptocurrency should be carried out by the zakat institutions. This thus requires them to advance their level of understanding of the technologies and innovations to effectively perform their role.

Conclusion

This research finds that to materialize and concretize the benefits of zakat, Malaysia has been taking several actions and steps by providing all facilities and services. The current zakat management of Malaysia is considered one of the pioneers in providing various.

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59 Faraz Adam, "Do We Pay Zakat on Cryptocurrencies?" National Zakat Foundation https://nzf.org.uk/knowledge/zakat-on-cryptocurrencies/.
facilities through zakat funds and at the same time, the zakat payers are also having good facilities to carry out their duty as Muslims. Although it has implemented certain rules in managing zakat and the needs of ḍānāf, the researchers found that there is room to enhance and improve the current system by adopting more digitalized systems and facilities. We believe that the digital transformation of the zakat management system will benefit not only ḍānāf but also the zakat institutions and zakat payers as well. On a broader level, it has a higher possibility to tackle the poverty issues of the society and help the economic growth. The zakat institutions are therefore required to have a proper date set of ḍānāf in the country while providing better access, convenient facilities, and sufficient funds that can assist ḍānāf to fulfill their daily needs, develop their lifestyle, and contribute to the society by their skills and expertise in the future. Moreover, the zakat institution should consider the digital assets and the possibilities of imposing zakat on them. In short, having digitalized system for zakat management will enable zakat institutions to distribute zakat properly and efficiently hence the confidence and trust of zakat payers towards the zakat institutions will be strengthened.

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