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## THE STATUS QUO OF ZAKAT MANAGEMENT IN MALAYSIA: OBSTACLES, OPPORTUNITIES AND DIRECTIONS

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### ABSTRACT

Since *zakat* plays a significant role for Muslims in their religious and socioeconomic life, it must be managed efficiently, and as is due. Malaysia is among the Muslim countries that strive to realize the meaning of *zakat* through systematic management of its territory. However, due to the various factors, it (*the zakat* management system) might encounter several issues and challenges that hurdle obtaining the objectives of *zakat* in its practice. Thus, the research aims to study the current progress of *zakat* in Malaysia and its barriers through the available literature and it attempts to identify the research gap and potential future directions. The study adopts a qualitative research approach where it collects the data from several resources and databases and analyses the collected data through a rigorous document analysis and descriptive method. This study finds that the *zakat* management system in Malaysia is following various steps such as providing a *zakat* infographic, enhancements in the *zakat* payment method and also facilitating access to *zakat* for the *asnāf*, to improve its efficiency and benefits for the people however, several studies note that some areas such as the performance of *zakat* institutions, proper distribution, digitalization of the system and realization of poverty alleviation through *zakat* require more improvement by the *zakat* authority and the future research as well. The improvement of *zakat* management and utilization of the *zakat* fund in the appropriate manner will benefit the society and economy. Subsequently, it will strengthen the trust and confidence of the *zakat* payers in the *zakat* system and institutions in Malaysia.

**KEYWORDS:** ZAKAT MANAGEMENT, ZAKAT INSTITUTIONS, POVERTY ALLEVIATION, AWARENESS, MALAYSIA

### ABSTRAK

Memandangkan *zakat* memainkan peraturan penting bagi umat Islam dalam kehidupan beragama dan sosioekonomi mereka, ia mesti diuruskan dengan cekap, dan sepatutnya. Malaysia antara negara Islam yang berusaha merealisasikan erti *zakat* melalui pengurusan yang sistematik di wilayahnya. Namun, disebabkan oleh pelbagai faktor, ia (sistem pengurusan *zakat*) mungkin menghadapi beberapa isu dan cabaran yang menjadi halangan untuk mencapai objektif *zakat* dalam amalannya. Oleh itu, penyelidikan bertujuan untuk mengkaji kemajuan semasa *zakat* di Malaysia dan

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halangannya melalui literatur yang ada dan ia cuba mengenal pasti jurang penyelidikan dan hala tuju masa depan yang berpotensi. Kajian ini menggunakan pendekatan kajian kualitatif di mana ia mengumpul data daripada beberapa sumber dan pangkalan data dan menganalisis data yang dikumpul melalui analisis dokumen dan kaedah deskriptif yang ketat. Kajian ini mendapati sistem pengurusan *zakat* di Malaysia sedang mengikuti pelbagai langkah untuk meningkatkan kecekapan dan manfaatnya kepada rakyat namun beberapa kajian mendapati beberapa aspek seperti prestasi institusi *zakat*, pengagihan yang betul, pendigitalan sistem dan merealisasikan kemiskinan. Pengurangan melalui *zakat* memerlukan lebih banyak penambahbaikan oleh pihak berkuasa *zakat* dan juga penyelidikan masa depan. Penambahbaikan pengurusan *zakat* dan penggunaan dana *zakat* dengan cara yang sewajarnya akan memberi manfaat kepada masyarakat dan ekonomi. Seterusnya, ia akan mengukuhkan kepercayaan dan keyakinan pembayar *zakat* terhadap sistem dan institusi *zakat* di Malaysia.

*KATA KUNCI: PENGURUSAN ZAKAT; INSTITUSI ZAKAT; PEMBASMIAN KEMISKINAN; KESEDARAN, Malaysia*

## 1. INTRODUCTION

*Zakat* is one of the five pillars of Islam which is related to wealth in terms of the contribution by eligible payer, and distribution to the eligible receiver. Through *zakat*, the well-being of the ummah (society) is assured, and the gap between the rich and the poor is abolished, or at least reduced (Meerangani, 2019). Social welfare is given much importance in Islam where it highly encourages the rich to help the poor without any hope of return or compensation whatsoever. In helping the poor, it could either be optional in the form of *sadaqah* (donation) or obligatory in the form of *zakat*. Islam introduces *zakat* as an obligatory action upon the rich once they meet the obligatory level in terms of their property and asset values. The objectives of *zakat* are to purify the wealth of a person, to alleviate poverty in the ummah, to abolish injustice in the ummah, to strengthen the empowerment of the poor in the ummah, and more importantly to fulfil the order of Allah (Al-Mamun & Haque, 2015a; Johari *et al.*, 2014; Jedidia & Khouloud, 2020).

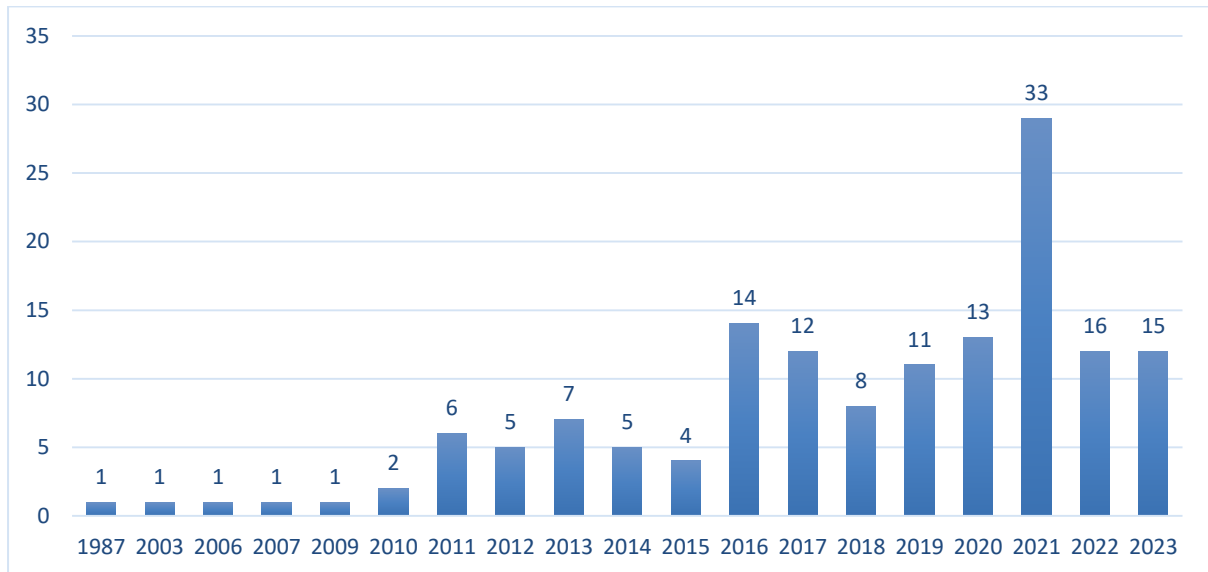
Malaysia is one of the pioneering countries among the Muslim countries around the world to have an outstanding *zakat* management system (Migdad, 2019). Since 1990, the Malaysian *zakat* system has been collectively managed by the State Islamic Religious Council (SIRC) of the respective states in Malaysia (Abd. Wahab and Rahman, 2011; Rahman *et al.*, 2012). The SIRC is generally responsible for religious matters at the state level, where currently a total of 14 SIRCs are operating throughout Malaysia for 13 states and one federal territory. Although all the SIRCs operate under similar principles, there are slight procedural differences in managing the *zakat* collection and distribution from one state to another (Abd. Wahab & Rahman, 2011). To mitigate this discrepancy and boost the efficiency of the *zakat* collection and distribution, some of the SIRCs employ a special unit, often a corporatized institution, as a *zakat* centre either for collection and distribution or for collection only (Ab Rahman *et al.*, 2012; Abd. Wahab and Rahman, 2011). Several methods are employed to collect the *zakat* from eligible Muslims (Wahab & Rahman, 2013; Yaakub *et al.*, 2016; Salleh & Chowdhury, 2020), and at the same time, these *zakat* centres are responsible for identifying the *aşnāf* (the eligible recipients of *zakat*) for *zakat* disbursement throughout the year (Ab Rahman *et al.*, 2012; Migdad, 2019).

Of late, many significant issues about *zakat* have caught the attention and interest of researchers. Several studies have been conducted to discuss these issues to find better solutions for *the zakat* management system in Malaysia. For example, these studies are significant in finding suitable ways to utilize available *zakat* funds. However, other issues in the *zakat* management system are still unresolved and unexplored (Taha *et al.*, 2017a; Mohamed *et al.*, 2019; Jaapar & Kamarulzaman, 2020; Salleh & Chowdhury, 2020; Yusuf *et al.*, 2020). Therefore, this research attempts to review the existing literature on *the zakat* system in Malaysia through an in-depth analysis of articles that have been published in different journals and conference papers. This research also aims to consolidate and extend the knowledge of the *zakat* management system in Malaysia, and to propose

several potential future research directions that could help in improving the overall system for the benefit of ummah.

## 2. METHODOLOGY

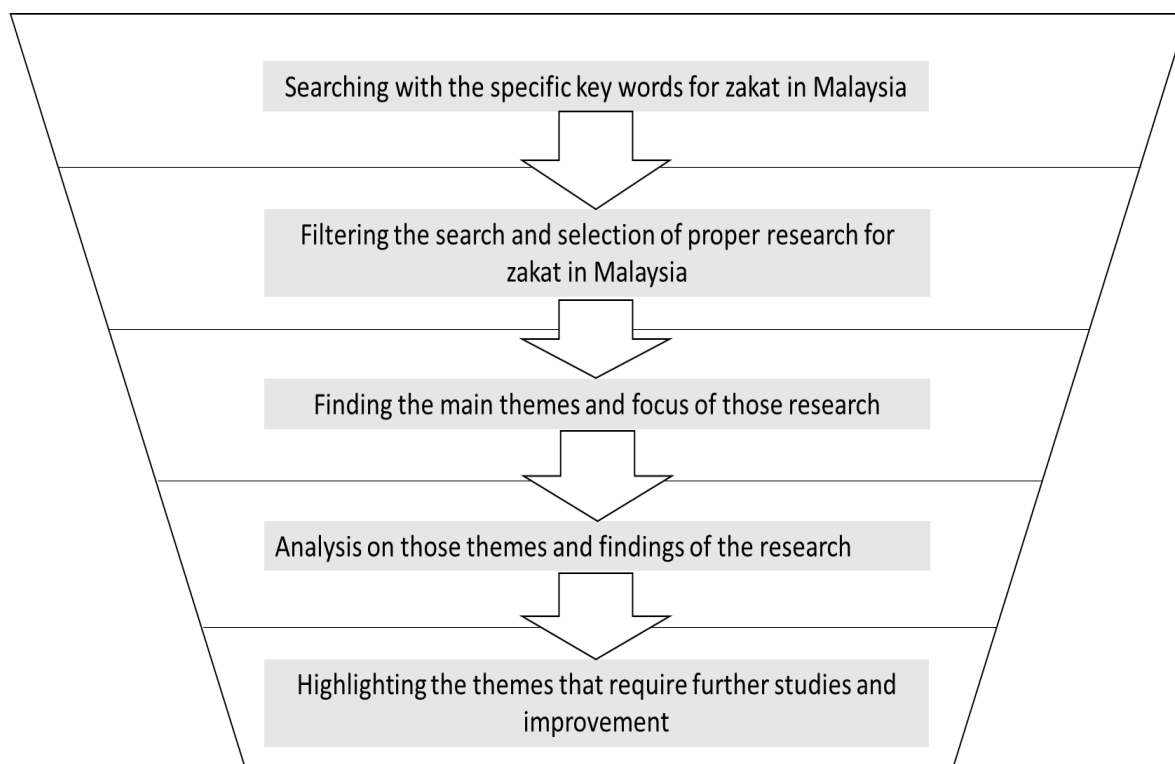
This study adopts a qualitative research approach where the data collection is conducted through a rigorous search for *zakat* in Malaysia. Specific keywords such as “*Zakat* + Malaysia”, “*Zakat* management + Malaysia”, “*Zakat* collection + Malaysia”, “*Zakat* distribution + Malaysia”, “*Zakat* institution + Malaysia”, “*Zakat* payment + Malaysia”, “*Zakat* distribution + Malaysia”, “*Zakat* issues and challenges”, “Poverty + *Zakat* + Malaysia”, and “Awareness + *Zakat* + Malaysia” are used to filter the search for scholarly research papers on *zakat* in Malaysia. Online databases such as Emerald, Science Direct, Google Scholar, and general Google searches are applied to find the appropriate and relevant works on *zakat*. This research focuses on published research papers such as indexed journal articles, peer-reviewed journal articles, and published conference proceedings. Books and books’ chapters on *zakat* are not covered as they are not always available and easily accessible. Similarly, other resources like web-based data are also excluded to narrow down the research purpose. After collecting data from these sources, a strict filtration process is adopted to exclude irrelevant, duplicate, and unnecessary data. At this stage, a total of 156 research papers are considered for this study. Then, the researchers scrutinize the selected papers to find the output or result of those papers and this leads the researchers to find some important themes and findings of the current research work. Moreover, based on those themes and findings, this study can perceive some themes that require further studies and improvement. Figure 1 provides the numbers of research on *zakat* in Malaysia that have been published from 1987 until 2023 and the process of this work is illustrated through Figure 2.



**FIGURE 1. THE NUMBER OF PUBLISHED PAPERS (1987 – 2023)**

Source: Authors’ own

(There are 14 conference proceedings -in 2021- that emphasize various aspects of the Malaysian *zakat* system).



**FIGURE 2. THE STEPS OF FINDING THEMES FOR THIS STUDY**

Source: Authors' own

Regarding the data analysis, this research follows a descriptive and document analysis research approach. The descriptive analysis is conducted to analyse the previous studies' results and recommendations which reflect the current *zakat* system in Malaysia. Moreover, the document analysis assists the research to find the issues and topics of *zakat* in Malaysia which are discussed in the previous literature. The analysis also helps to identify several important themes and to highlight the potential research gaps for future studies.

### 3. RESULT AND DISCUSSION

As mentioned earlier, the purpose of this research is to highlight the current progress of *zakat* in Malaysia and its barriers through the available literature and to identify the research gap and potential future directions. Therefore, the results and discussion section are divided into two sub-sections. The first sub-section will summarize the findings of the previous literature under four themes i.e., *zakat* institutions, *zakat* management, *zakat* payment, *zakat* for poverty alleviation, *zakat* education and awareness, while the second sub-section will further highlight the key issues that could serve as guidance/directions for further development by the *zakat* authorities and at the same time, researchers might recommend further alternatives in the future.

#### *Existing Research*

##### *a. Zakat Institutions*

*Zakat* institutions are responsible for the collection of *zakat* from the eligible payers and the distribution of the *zakat* to the eligible *aṣnāf*. The performance and efficiency of the institutions will depend on the management of the institutions. Moreover, the success and benefits of *zakat* will be realized if the *zakat* institutions perform their role diligently. Therefore, it is crucial to know how the institutions of *zakat* in Malaysia were developed and what are the challenges and issues faced by them.

Ab Rahman *et al.* (2012) draw on the history of *zakat* institutions' evolution in Malaysia. The study shows that previously, the Muslim community used to pay their *zakat* to the *imām* (religious

leader), and he is also responsible for distributing the *zakat* to the eligible *aşnāf*. After 1990, most of the states managed to establish their *zakat* collection and distribution centres under their SIRC where the *zakat* management was privatized and developed systematically and professionally. The development of *zakat* institutions in Malaysia shows that the *zakat* system practised by the country is more advanced and systematic as compared to many other Muslim countries. It is also considered as a benchmark for successful *zakat* management (Migdad, 2019).

Regarding the trust in *zakat* institutions, according to Ghazali *et al.* (2016), the main influencing factors of trust by the business *zakat* payers on *zakat* institutions are shared values, communication, non-opportunistic behaviour as well as the perception of *zakat* distribution. The study of Zainal *et al.* (2016) finds that the reputation, the satisfaction with *zakat* distribution, and the quality of service of an institution also play significant roles in building the trust of *zakat* payers.

On the performance of *zakat* institutions in *zakat* collection, management, and distribution, several researchers have attempted to find the effectiveness of some SIRC in Malaysia. Wahid *et al.* (2012) and Al-Mamun and Haque (2015b) find that many respondents of the study do not like to pay their *zakat* to the institutions due to the lack of efficiency and transparency. The findings of Abd. Wahab and Rahman (2013), show that the *zakat* institutions encounter inefficiency problems due to technical matters where they require technology-based improvements in the system to attain full efficiency. Krishnan and Hamzah (2016) find that the performance level of the *zakat* management of the institution is inconsistent; in 2009, 2012, 2014, and 2015, the performance of the institution looked efficient, whereas, in 2007, 2008, 2010, 2011, and 2013, inefficiency and poorer performance are noted. According to Hasan *et al.* (2021), the varying provisions of law regarding *zakat* across states, and the diverse methods of *zakat* collection by *zakat* institutions, significantly affect the performance of *zakat* institutions in Malaysia.

Despite many studies documenting the inefficiency of *zakat* institutions, Anuar *et al.* (2019) reveal that *zakat* institutions have improved in many ways by taking several initiatives and approaches, as evidenced by the increase in *zakat* collection in the past years. The study also concludes that the overall performance of *zakat* institutions is at a good level. Nevertheless, they require certain improvements in terms of reporting and documentation. Nazeri *et al.* (2023) find that the current issues faced by *zakat* institutions regarding transparency and efficiency can be improved through the use of blockchain technology. According to their study, blockchain can offer numerous benefits to *zakat* institutions, particularly in ensuring the transparency, traceability, and security of *zakat* transactions. Consequently, *zakat* institutions in Malaysia will be able to enhance their performance and effectiveness.

Saad *et al.* (2018) examine the service quality of *zakat* institutions in Malaysia and conclude that credibility, competence, responsiveness, access, understanding, and communication are some aspects that the majority of respondents consider as poor, while only tangibles, reliability, and courtesy are considered good by the respondents. This shows that the *zakat* institutions in Malaysia require further attention to improve their service quality. Abidin *et al.* (2014) and Taha *et al.* (2017a) opine that since *zakat* is under the jurisdiction of the state government, there is inconsistency in different *zakat* institutions in providing the annual report and disclosing important information to the public; some states do not disclose the use of surplus *zakat* amount, while other states do not even issue an annual report. Due to this lack of data transparency in *zakat* management, issues such as lack of trust often ensue.

#### *b. Zakat Management (Collection and Distribution)*

The benefits of *zakat* mostly depend on how *zakat* is managed and distributed among the eligible *aşnāf*. The proper management of *zakat* will help the country in creating a balanced economy between the rich and the poor. In simpler words, when the *zakat* is collected from the rich, and properly distributed to the poor, the poor will have better purchasing power, and subsequently contribute to the nation's economic growth (Meerangani, 2019). Malaysia has been developing all possible ways to properly manage and utilize the *zakat* funds. In Malaysia, SIRC are responsible

for controlling the matters about *zakat* including its awareness, collection, and distribution since 1990 (Shariff *et al.*, 2011; Razimi *et al.*, 2016). The establishment of such authority has made *zakat* more viable and beneficial to Malaysian society especially the poor.

Regarding the collection and distribution of *zakat*, Saad and Abdullah (2014) 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 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. This shows the irregular and ineffective distribution of *zakat* funds in Malaysia. Lubis *et al.* (2011) reveal that in certain cases, the distribution does not reach its expected targets and results. Their study finds that every year the percentage of the recipients is increasing which shows that the *zakat* was not properly distributed among the recipients. The study also finds that every year 15% of the *zakat* fund is left undistributed.

A study of Shah and Hassan (2017) shows that the contribution of *Zakat* Collection Center (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 *fi sabīlillāh* (for the cause of Allah) groups of *aṣnāf* which consist of medical aid, scholarship, marriage aid, 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. Mohd Ali *et al.* (2017) note that the current *zakat* distribution in Kelantan focuses on shelter, food, clothing, medicine, education, and travelling *fi sabīlillāh*. However, other necessities such as medical takaful, expenses for pregnant women and nursing mothers, expenses for the advancement of knowledge for the household head, and expenses for fulfilling religious and spiritual activities are also important aspects that can help the *aṣnāf*, but yet to have a specific allocation for them in *zakat* distribution. Razali *et al.* (2021) studied one of the categories of *aṣnāf* in the Lembaga *Zakat* Selangor (Selangor *Zakat* Board), namely *ghārimīn* (debtors). The study found that *zakat* is provided to individuals facing medical emergencies, whereby despite having a positive income, they require a significant amount of money for medical treatment from selected public hospitals or public university hospitals. Such assistance helps individuals avoid falling into debt or resorting to loans from illegitimate sources. Yamaludin *et al.* (2023) identified the potential for financial assistance from *zakat* institutions for genuine debtors (*ghārimīn*) in collaboration with Islamic financial institutions (IFIs) in Malaysia. The study recognizes the significant role that both *zakat* institutions and IFIs can play in assisting debtors, especially during pandemics or other emergencies.

Many studies also discuss the efficiency and the performance status of the *zakat* management system. Razimi *et al.* (2016) highlight that the inefficiency of the *zakat* management system would be evidenced by the increase in the number of poor people in the country. The misuse of the *zakat* fund may tarnish the reputation and image of the *zakat* management authority. Moreover, the study also notes that the *zakat* funds are not utilized to build the capacity of the *aṣnāf* to be self-sufficient, and the eligible *zakat* payers are not properly aware of their *zakat* obligation which leads to an imbalance between the increase in the number of poor people and the total number of eligible *zakat* payers. The capacity-building approach may very well turn the *aṣnāf* of today into the *zakat* payer of tomorrow (Ab Rahman *et al.*, 2012). Similarly, Taha *et al.*, (2017b) 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 the *zakat* is supportive of reducing poverty, it is still unable to increase the monthly income of the *aṣnāf*. Moreover, according to Johari (2023), as the *zakat* institution is the responsible authority for managing *zakat* collection and distribution, it requires performance indicators to measure effectiveness. Therefore, an impact assessment should be implemented to investigate and understand strengths, weaknesses, challenges, resource allocation, and planning. Such an assessment will help *zakat* institutions demonstrate a positive impact and enhance trust and confidence among the people.

Despite many studies criticising the efficiency of the *zakat* management system in Malaysia, the study of Jaapar and Kamarulzaman (2020) sheds 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 of Perak is improving from year to year through the efforts undertaken by Perak SIRC. The year 2017 recorded the highest efficiency level in *zakat* collection, while 2015 recorded the highest efficiency level in *zakat* distribution. Similarly, Azhar *et al.* (2023) find that *zakat* distribution by *zakat* institutions in Malaysia is effective in prioritizing and emphasizing specific groups of *asnāf* to alleviate poverty.

Regarding the satisfaction of the *asnāf*, the *zakat* management system in Malaysia constantly strives to fulfil their basic and vital needs. Many *asnāf* are happy to receive the *zakat* fund from the SIRC's although in many cases the small amount of the *zakat* fund is not capable of rendering them fully sufficient (Ahmad *et al.*, 2015; Taha *et al.*, 2017b; Meerangani, 2019). Apart from the basic help, there are also some capital assistances drawn from the *zakat* collection to help the *asnāf* establish a business. This is very supportive and effective as evidenced by their business success stories, and the fact that they then stop being an *asnāf* (Ramli *et al.*, 2011). The study by Amin (2022) also demonstrates that initiatives in Muslim entrepreneurship among the *asnāf* are crucial and show promise for business development within this group. There is evidence indicating that many *asnāf* individuals have achieved success in their businesses. The only shortcoming in the *zakat* management system from the *asnāf* perspective is that it takes quite some time for the application and disbursement of the *zakat* fund (Ahmad *et al.*, 2015; Razimi *et al.*, 2016; Taha *et al.*, 2017b). A certain state like Melaka takes approximately two to three weeks from application to disbursement of the *zakat* fund (Ahmad *et al.*, 2015).

### c. Zakat Payment

There are many types of *zakat*; *zakat* on personal assets (obligatory on all Muslims), *zakat* on business, *zakat* on income, *zakat* on savings (takaful, Employees Provident Fund, etc.), *zakat* on gold and silver, *zakat* on investments, *zakat* on livestock, *zakat* on minerals, and *zakat* on agricultural produce. Moreover, knowing where and to whom the payer should pay the *zakat* is also necessary to fulfil the goals of *zakat* payment. The payment should be linked with the *zakat* management authority to ensure a proper distribution system. Hence, the *zakat* payment and *zakat* management will play a vital role in fully harnessing its benefits for society especially the poor.

Many motivating factors influence one to comply with the *zakat* obligation. Several studies discuss the main factors of *zakat* payment by payers. Muda *et al.* (2006) highlight that some *zakat* payers find self-satisfaction by sharing their wealth with the poor. Some also find inner peace and happiness through *zakat* payment for which they do not seek or hope for any reward for their good deeds. And of course, many *zakat* payers do not pay *zakat* to get a tax rebate; rather, they pay *zakat* over their moral and religious duties. According to Mohd Ali *et al.* (2017), Abdullah and Sapiei (2018), and Farah *et al.* (2019), the religiosity of a person, the knowledge about *zakat* obligation and payment, the need and awareness to help the poor, the trust in the *zakat* institutions and ultimately the blessings of Allah, are the primary factors that influence payers to comply with the *zakat* obligation.

Regarding the payment of *zakat* on income, Bakar and Rashid (2010) note that social, religious, and economic motivations are among the main factors that encourage academicians to consistently pay their *zakat*, whereas external factor like tax rebate is not the main factor to them. Tajuddin *et al.* (2016) conclude that the knowledge and understanding of *zakat* by young working people is one of the main factors that guide them to pay *zakat* on income. Yaacob *et al.* (2020) show that understanding and knowledge of *zakat* play a significant role among working adults towards *zakat* payment. However, it should be noted that the majority of working adults are not able to calculate their *zakat* amount without the help of *zakat* agencies or experts. The study also finds that some working adults are not aware of *zakat* on income and that income also includes other sources such as honorarium and bonus to be included in the final *zakat* payment. Regarding the *zakat* on business, Khamis *et al.* (2011) highlight that many studies have focused on the behavioural

approach to see the factors of *zakat* payment. The study on *zakat* on business from an economic approach is not so much highlighted; this thus requires deeper discussion. Furthermore, the concept of *zakat al-mustaghillāt* (*zakat* on exploited assets) has been addressed by a few researchers such as Amin and Shaikh (2023). However, Amin and Shaikh (2023) highlight that this topic necessitates further discussion by scholars and *zakat* institutions to enhance understanding among *zakat* payers. Simultaneously, increased awareness efforts are necessary to underscore the significance of this *zakat* source and the obligation for asset owners to fulfil their *zakat* obligations.

There are many ways for *zakat* payment in Malaysia; offline through a bank, post office, *zakat* agent, and *zakat* centre branch, and online through Automated Teller Machine (ATM), credit card, Financial Process Exchange (FPX), internet banking, phone banking, salary deduction, and Short Message Service (SMS). However, currently, many of these *zakat* payment methods are still under maintenance. The Lembaga Zakat Selangor has only a few listed banks which allow *zakat* payment through ATMs. Yaakub *et al.* (2017) provide that the Zakat Centre of Negeri Sembilan (PZNS) has both offline and online payment methods for *zakat*. However, according to Yaakub *et al.* (2016), the *zakat* payment portion through an offline collection is still higher. Abd. Wahab and Rahman (2013) and Yaakub *et al.* (2016) suggest improving the e-payment system for *zakat* to provide easy and convenient methods of payment which will increase the *zakat* payment by the payers. Concerning online *zakat* payment, Omar *et al.* (2022) have expressed concern regarding internet connectivity and its stability in East Malaysia. Their study reveals that although people are interested in utilizing online *zakat* payment methods for the sake of convenience, they often face challenges with internet connectivity when attempting to make payments.

Samad *et al.* (2016) find that the current trend in *zakat* payment is that many of the *zakat* payers pay their *zakat* by personally identifying the *aṣnāf* without going through the *zakat* collection centre or its agencies. Thus, the amount of the *zakat* payment is not included in the final *zakat* collection statistics, and the status of that *aṣnāf* is not updated in the *zakat* system. In this regard, many researchers look for the reasons for the *zakat* payers not giving priority to the *zakat* management and its institutions. Shariff *et al.* (2011) find that the lack of transparency and incompetence are among the few reasons that many *zakat* payers do not pay the *zakat* through the *zakat* management and its institutions.

#### *d. Zakat for Poverty Alleviation*

The implementation of *zakat* could alleviate the poverty level of the society and enhance the living/financial standard of the *aṣnāf* (Shariff *et al.*, 2011; Embong *et al.*, 2013). It should be highlighted that the *aṣnāf* of *zakat* are only several categories of people who are eligible to receive the *zakat* fund. This shows that *zakat* focuses only on certain people who are in dire need. Poverty alleviation is one of the objectives of the *zakat* where it provides monetary and other resources to the poor. The collection and distribution management plays a vital role in fulfilling the objective of *zakat* to alleviate poverty (Shariff *et al.*, 2011). However, some study finds that the *zakat* fund is not properly collected and distributed to the poor, which consequently defeats the primary purpose of the *zakat*.

Embong *et al.* (2013) discuss the poverty level in Malaysia and mention that it is still controversial to define the actual poverty level in Malaysia. According to their study, the Malaysian government has succeeded in implementing the plan to reduce the poverty level from 5.7% in 2004 to 3.6 % in 2007. However, the global financial crisis has slightly pushed this up to 3.8% in 2008.

Shariff *et al.* (2011) and Embong *et al.* (2013) find that the *zakat* management system in Malaysia operates individually between states instead of collectively. This means that the *zakat* fund collected from one state will only be distributed to the *aṣnāf* in that particular state, despite the need for funds in other states. For example, Selangor has a higher collection of *zakat* funds while the poverty level is at a lower stage, whereas Sabah has a lower collection of *zakat* funds while the poverty level is at a higher stage. However, the current management system does not allow for a transfer of the *zakat* fund from Selangor to Sabah. Embong *et al.* (2013) also add that despite the



increase in *zakat* collection over the years, the poverty problem is still far from being resolved. Saad and Abdullah (2014) suggest paying the *aṣnāf* with an amount higher than the necessary which could then improve their living standard and sustain them until the next year's *zakat* cycle.

Othman and Noor (2012) further provide the reasons for *zakat* not being able to reduce the poverty level in Malaysia; (1) the database of *aṣnāf* is yet to be developed and synchronized among the *zakat* collection and distribution centres; (2) the unawareness of the *aṣnāf* regarding their right to receive the *zakat* fund; and (3) the bureaucracy hurdle in managing and approving the distribution of *zakat* fund to the *aṣnāf* which takes a longer time as compared to applying a loan from a bank.

Regarding the current situation of poverty alleviation through *zakat* in Malaysia, the empirical study of Meerangani (2019) shows that *zakat* has been able to reduce the poverty rate in the society from 78.70% to 72.61%, while the hardcore poverty has also reduced from 54.78% to 41.30%. However, despite having philanthropy activities by many rich Muslims around the world, the Muslim countries still suffer from the economic crisis. Zulkifli *et al.* (2021) emphasize that *zakat* holds significant potential for enhancing the quality of life among *aṣnāf*, contributing to a reduction in poverty levels in Malaysia. The ongoing efforts to improve the management of *zakat* institutions are commendable. Haji-Othman *et al.* (2020) note that Kedah has taken an active role in poverty alleviation by providing the highest amount of *zakat* funds to cover the cost of living of the poor, while the education sector ranked second in the total funds allocated. However, the study notes that the success in poverty alleviation through the *zakat* fund primarily depends on the *zakat* collection.

Since the onset of the COVID-19 pandemic and its global impact, *zakat* has played an exceptional role within the Muslim community in alleviating financial struggles (Othman *et al.*, 2022; Yusri & Jusoh, 2021). Rahman and Zulkarnain (2022) observe the commendable initiatives undertaken by *zakat* institutions in Malaysia. These institutions provided financial aid and essential equipment to Muslim entrepreneurs, enabling them to sustain their businesses during the pandemic. Additionally, *zakat* institutions offered rental waivers for various business premises, supporting small and medium enterprises (SMEs) in their recovery efforts. Oikawa's study (2022) highlights that in 2020, Malaysian *zakat* institutions distributed MYR171.92 million in assistance to the poor and needy during the pandemic lockdown. Furthermore, the Federal Territory Islamic Council (MAIWP) provided respiratory aids to several hospitals and distributed free food, pillows, and mattresses to homeless shelters.

#### *e. Zakat Education and Awareness*

The knowledge of *zakat* and the obligation to pay it by eligible Muslims is something that will motivate a person to dutifully observe this pillar of Islam. The awareness of *zakat* payment and its benefits to society while fulfilling the religious obligation of a Muslim is also necessary. This awareness will shape the mindset of eligible Muslims to fulfil their obligation, and this will consequently increase the collection of *zakat*. The awareness of *zakat* among the people may be raised through social media, newspapers, TV programs, teachings/lectures at mosques or small gatherings in social programs and disseminating *zakat* informational handouts (Abdullah & Sapiei, 2018; Ismail & Abidin, 2020).

The basic knowledge of *zakat* includes the *niṣāb* (certain threshold), the calculation of *zakat* amount to be payable, the categories of the properties eligible to pay *zakat*, the *aṣnāf*, the latest available *zakat* payment methods, and other relevant knowledge. Ismail and Abidin (2020) reinforce that the *zakat* compliance or payment of *zakat* depends on the knowledge of the *zakat* of an eligible Muslim. The more knowledge of *zakat* a Muslim has, the higher the compliance with the obligation of payment will be, as compared to the one who has limited knowledge of *zakat*.

Abdullah and Sapiei (2018) find that the working females in Klang Valley, Malaysia are at a lower level in complying with the *zakat* obligation as compared to the working males. They opine that this could be from the perception of women that their *zakat* should be paid by their father, husband, or male guardian, as well as due to their lack of knowledge and understanding of *zakat*. Muslims must

know their *zakat* obligation, where and how to pay the *zakat*, and how much they have to pay the *zakat*. This basic information will influence a Muslim's compliance with the *zakat* payment (Tajuddin *et al.*, 2016; Saad *et al.*, 2016; Mohd Ali *et al.*, 2017). Mohd Ali *et al.* (2017) concur that the lack of knowledge of *zakat* is one of the main reasons for many Muslims in the study area not fulfilling their *zakat* obligation. Since it is obvious that the knowledge and awareness of *zakat* have a significant relation with the *zakat* payment/compliance, raising the awareness of *zakat* and its obligation for eligible Muslims should be the primary responsibility of the *zakat* institutions and Muslim religious authorities/scholars.

#### 4. KEY ISSUES AND FUTURE DIRECTIONS

Based on the previous discussion, the study finds that the majority of research was conducted on the *zakat* management perspective which includes collection, distribution, and administration of *zakat* in Malaysia. Similarly, research on trust towards *zakat* institutions as well as their performance and quality has also been extensively explored. In addition, factors influencing *zakat* payment, *zakat* payment methods, awareness, and education of *zakat* as well as poverty alleviation through *zakat* have also been studied. However, as the financial market grows and many new issues arise from the current management system, the present work thus recommends several key issues that could be potential future research directions and at the same time, *zakat* institutions and other relevant parties to consider. Figure 3 illustrates the key issues and future directions.

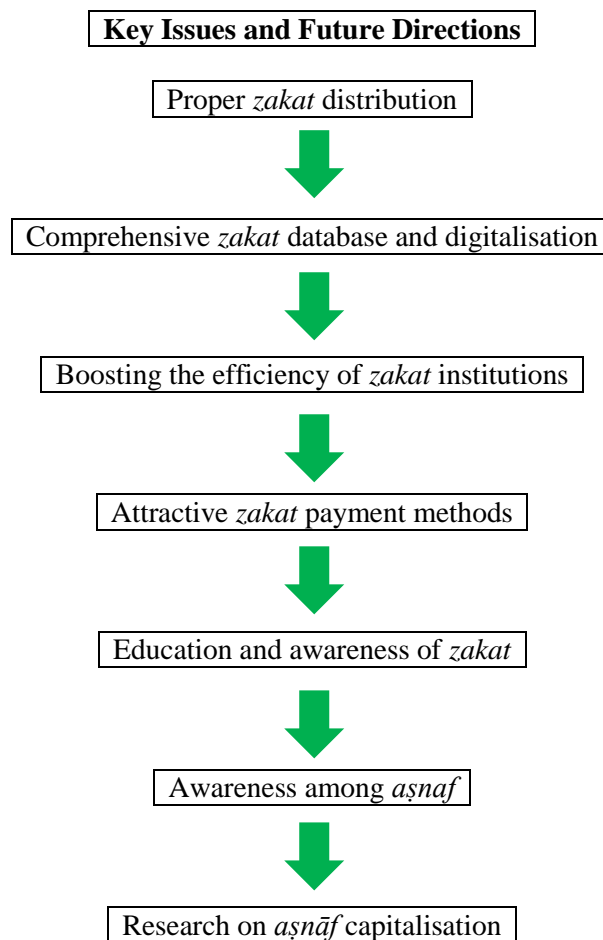


FIGURE 3. KEY ISSUES AND FUTURE DIRECTIONS

Source: Authors' own

*a. Proper Zakat Distribution*

The *zakat* fund collected from a particular state should first be distributed to the *aṣnāf* in that state and the balance could be distributed to other states with higher poverty index. Some states may need to collaborate with other states to realize the possibilities of human capital, good governance, and management strategies. So that it will help both states to utilize the *zakat* fund effectively and the *aṣnāf* get their rights properly while the *zakat* payers contribute to the *zakat* fund dutifully. Moreover, the distribution of *zakat* funds should follow a prescribed allocation guideline for the *aṣnāf* where it provides a percentage to different types of *aṣnāf*.

*b. Comprehensive Zakat Database and Digitalization*

An updated database of *aṣnāf* is also crucial for proper *zakat* management as it will help the *zakat* institutions to identify and track the *aṣnāf* and to provide sufficient *zakat* funds based on their needs (Rosele, *et al.*, 2022; Ahmad, & Yahaya, 2023). This initiative will significantly alleviate poverty within society and yield a positive impact on Islamic social finance, contributing to socio-economic development. Furthermore, the adoption of blockchain technology has the potential to enhance the transparency and efficiency of *zakat* institutions (Khatiman *et al.*, 2021; Salleh *et al.*, 2021; Ismail, 2021). Additionally, *zakat* institutions in Malaysia must enhance their *zakat* payment gateways to accommodate digital assets (Rosele *et al.*, 2023; Yusof *et al.*, 2021; Johari, 2021).

*c. Boosting The Efficiency of Zakat Institutions*

*Zakat* institutions should undertake active initiatives to attain higher confidence/trust levels from the *zakat* payers and to improve their performance and efficiency level, especially in proper distribution and quick disbursement of the *zakat* fund (Johari, 2023; Alam, *et al.*, 2023; Saidona, & Ab Ghani, 2021).

*d. Attractive Zakat Payment Methods*

More convenience and variety of methods for *zakat* payment will inevitably increase the collection of *zakat* funds. More *zakat* payers will be motivated to perform this obligation if they can perform it at their fingertips. Therefore, maximizing the *zakat* payment systems such as e-wallets, ATMs, online banking, and applications for Android and iOS will increase the *zakat* fund collection (Salleh, *et al.*, 2021; Omar *et al.*, 2022; Ismail, 2021).

*e. Education and Awareness of Zakat*

The education on *zakat* and its awareness among the people is currently conducted on a small scale. If this could be expanded, it could reach a larger Muslim population. Therefore, the basic information on *zakat* obligation and its other conditions should be widely disseminated and broadcast on various media platforms. Further research should also be conducted in this regard as the current literature on awareness is very minimal. Higher awareness and sufficient basic information on *zakat* will influence many Muslims to comply with the *zakat* obligation, which in turn allow them to fulfil their religious duty, and at the same time increase the *zakat* fund (Abdullah, *et al.*, 2021; Zulkifli *et al.*, 2021).

*f. Awareness Among Aṣnāf*

The *aṣnāf* are also required to know their rights and responsibilities towards the *zakat* funds. The awareness of such matters might educate them to understand how the *Zakat* fund should be collected and how it should be spent. Crucial information such as the eligibility criteria of *aṣnāf* should also be disseminated more widely. It will assist the potential *aṣnāf* to enjoy the benefits of the *zakat*. The application for the *zakat* fund and its process from the distribution authorities might need to be simplified and accelerated for the *aṣnāf* where some of them are elderly or partially disabled. According to Zulkifli *et al.* (2021), this practice will enable *zakat* institutions to reach out to all other eligible *aṣnāf* who were not previously receiving *zakat*. Simultaneously, it will enable *zakat* institutions to underscore the significance of *zakat* in alleviating poverty within the country.

*g. Research on Aṣnāf Capitalisation*

Based on the current literature, it seems that very little research has been done on *aṣnāf* capitalisation (empowerment of *aṣnāf* knowledge and skills so that they can be free of their *aṣnāf* status), the use of *zakat* for microfinance projects, the *zakat* model for various assets such as digital assets and stock markets, and most importantly the ability of *zakat* to support the poor and temporarily needy people during pandemic, or natural disasters.

The above-mentioned recommendations are also supported and aligned with some research that has been conducted by other authors. Table 1 shows some of the key points that other researchers highlighted.

**TABLE 1. RECOMMENDATION BY OTHER AUTHORS**

	<b>Key issues and future directions</b>	<b>Suggested and recommended by</b>
<b>Institutions and management</b>	<ul style="list-style-type: none"> <li>✓ Proper distribution of <i>zakat</i></li> <li>✓ Collaboration of states</li> <li>✓ Database for the <i>aṣnāf</i></li> <li>✓ Improve efficiency and trust,</li> <li>✓ Enhance the performance level,</li> <li>✓ Strengthening the human resources,</li> <li>✓ Availability of concise criteria for <i>aṣnāf</i> for public</li> </ul>	Alam, <i>et al.</i> , 2023; Ishak, 2021; Khatiman, <i>et al.</i> , 2021; Salleh, <i>et al.</i> , 2021; Ismail, 2021; Jaapar and Kamarulzaman, 2020; Salleh and Chowdhury, 2020; Migdad, 2019; Anuar <i>et al.</i> 2019; Taha <i>et al.</i> , 2017b; Othman and Noor, 2012
<b>Payment</b>	<ul style="list-style-type: none"> <li>✓ Diversifying the payment method,</li> <li>✓ Convenient payment method,</li> <li>✓ Enhancing online payment,</li> </ul>	Rosele <i>et al.</i> , 2023; Omar <i>et al.</i> , 2022; Salleh, <i>et al.</i> , 2021; Ismail, 2021; Salleh and Chowdhury, 2020; Yaakub <i>et al.</i> , 2017; Abd. Wahab and Rahman, 2013
<b>Awareness</b>	<ul style="list-style-type: none"> <li>✓ Advancing the awareness and education of <i>Zakat</i></li> <li>✓ Disseminating the information through various methods,</li> </ul>	Abdullah, <i>et al.</i> , 2021; Zulkifli <i>et al.</i> , 2021; Salleh and Chowdhury, 2020; Ismail and Abidin, 2020; Abdullah and Sapiei, 2018
<b>Human development</b>	<ul style="list-style-type: none"> <li>✓ Building skills and knowledge for <i>aṣnāf</i></li> <li>✓ Utilizing the skills and experiences for entrepreneurship and other productive activities,</li> <li>✓ Development of economic status/quality of life</li> </ul>	Yamaludin <i>et al.</i> , (2023); Mahmood, <i>et al.</i> , 2021; Haji-Othman <i>et al.</i> , 2020; Meerangani, 2019

Source: Authors' own

## 5. CONCLUSION

*Zakat* is an obligation for Muslims who have reached the prescribed eligibility and is considered *ibādah* (worship). *Zakat* has many beneficial aspects towards the socioeconomics of the ummah such as alleviating poverty and providing social justice. Therefore, *zakat* management is the backbone to materialize all these benefits. Malaysia is among the Muslim countries with excellent *zakat* management systems. Nevertheless, there are still many issues and challenges in *zakat* management which have been discussed by many scholars. To mitigate these, the *zakat* institutions

in Malaysia are striving and improve their quality and performance. This research recommends having a proper structure for the collection and distribution of the *zakat* fund and recording and updating the database of *asnāf* regularly. In addition, *zakat* institutions must have excellent skills, trustworthiness, and professionalism in dealing with the collected funds. Moreover, promoting a higher level of awareness disseminating basic information on *zakat* through social media platforms, and providing many convenient and Sharī'ah-compliant *zakat* payment methods will undoubtedly boost the *zakat* collection in the future. Moreover, the researchers and academician might assist the *zakat* management in Malaysia through various research projects that focus on a database of *asnāf* and its model, the possible and beneficial methods of *zakat* distribution through various modes, the use of *zakat* for microfinance. Moreover, the academician and researcher might educate the people about the foundation of *zakat* and the necessities and benefits of *zakat* payment. Future research should also shed light on the structure of *zakat* collection and distribution and provide models to record data of *asnāf* as well.

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