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## 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

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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 *aṣnāf* 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; *Aṣnāf*;  
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 *aṣnāf* 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.<sup>1</sup> In another word, digital transformation is the way of evolving businesses and societies through modern technology.<sup>2</sup>

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<sup>1</sup> Nils Urbach and Maximilian Röglinger, "Introduction to Digitalization Cases: How Organizations Rethink Their Business for the Digital Age," in *Digitalization Cases*, ed. Nils Urbach and Maximilian Röglinger (Cham, Switzerland: Springer, 2019).

<sup>2</sup> Abdulazeez Abdulquadri et al., "Digital Transformation in Financial Services Provision: A Nigerian Perspective to the Adoption of Chatbot," *Journal of Enterprising Communities: People and Places in the Global Economy* 15, no. 2 (2021): 259.

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.<sup>3</sup> 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.<sup>4</sup>

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<sup>5</sup> notices that embracing the digitalization of zakat through fintech is growing significantly and has a bigger potential. Furthermore, many studies<sup>6</sup> 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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<sup>3</sup> Ibid.

<sup>4</sup> Inese Mavlutova and Tatjana Volkova, "Digital Transformation of Financial Sector and Challenges for Competencies Development," in *the 7th International Conference on Modeling, Development and Strategic Management of Economic System (MDSMES 2019)*, Ivano-Frankivsk, Ukraine, 2019.

<sup>5</sup> Fahmi Ali Hudaefi, "How Does Islamic Fintech Promote the Sdgs? Qualitative Evidence from Indonesia," *Qualitative Research in Financial Markets* 12, no. 4 (2020): 364.

<sup>6</sup> Mohd Shahril Ahmad Razimi, Abd Rahim Romle, and Muhammad Farid Muhamad Erdris, "Zakat Management in Malaysia: A Review," *American-Eurasian Journal of Scientific Research* 11, no. 6 (2016): 453-457.; Muharman Lubis, Arif Ridho Lubis, and Ahmad Almaarif, "Comparison of the Approach in the Zakat Management System," in *the Journal of Physics: Conference Series*, 2019.; Muhammad Faris Zulkifli et al., "Combating Poverty in Malaysia: The Role of Zakat," *The Journal of Asian Finance, Economics and Business* 8, no. 5 (2021): 505-513.

In the context of Malaysia, Ebtehal Atta Elsayed and Yuserrie Zainuddin<sup>7</sup> 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 *aşnāf* (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.<sup>8</sup>

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.<sup>9</sup> 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.<sup>10</sup> They are responsible

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<sup>7</sup> Ebtehal Atta Elsayed and Yuserrie Zainuddin, "Zakat Information Technology System Design, Zakat Culture, and Zakat Performance – Conceptual Model," *International Journal of Advanced Science and Technology* 29, no. 9s (2020): 1824.

<sup>8</sup> Marhanum Che Mohd Salleh and Muhamad Abdul Matin Chowdhury, "Technology Adoption among Zakat Institutions in Malaysia," in *the 4th International Conference of Zakat (ICONZ)*, Surabaya, Indonesia, 2020.

<sup>9</sup> Norazlina Abd. Wahab and Abdul Rahim Abdul Rahman, "A Framework to Analyse the Efficiency and Governance of Zakat Institutions," *Journal of Islamic Accounting and Business Research* 2, no. 1 (2011): 47.; Azman Ab Rahman, Mohammad Haji Alias, and Syed Mohd Najib Syed Omar, "Zakat Institution in Malaysia: Problems and Issues," *Global Journal of Al Thaqqafah* 2, no. 1 (2012): 35.

<sup>10</sup> Muharman Lubis et al., "Enhancement of Zakat Distribution Management System: Case Study in Malaysia," in *International Management Conference 2011* (Terengganu, Malaysia 2011).; Rahman, Alias, and Omar, "Zakat Institution in Malaysia: Problems and Issues," 38.; Norazlina Abd. Wahab and Abdul Rahim Abdul Rahman, "Efficiency of Zakat Institutions and Its Determinants," in *Access to Finance and Human Development – Essays on Zakah, Awaqaf and Microfinance*, ed. Hatem A. El-Karanshawy, et al. (Doha, Qatar: Bloomsbury Qatar Foundation, 2015), 34.; Muhamad Hasif Yahaya and Khaliq Ahmad, "Factors Affecting the Acceptance of Financial

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 *aṣnāf* and distributing zakat based on their needs. The institutions also support *aṣnāf* in educating, training, and developing their skills and experiences for sustainability purposes. Therefore, it makes sense for Abdalrahman Migdad<sup>11</sup> 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.<sup>12</sup> Abdullah Al-Mamun, and Ahasanul Haque,<sup>13</sup> 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.,<sup>14</sup> meanwhile, shows that many of their

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Technology among Asnaf for the Distribution of Zakat in Selangor-a Study Using Utaut," *Journal of Islamic Finance* 8, no. S.I. (2019): 036.

<sup>11</sup> Abdalrahman Migdad, "Managing Zakat through Institutions: Case of Malaysia," *International Journal of Islamic Economics and Finance Studies* 5, no. 3 (2019): 29.

<sup>12</sup> 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 *the 13th Malaysia Indonesia Conference on Economics, Management and Accounting (MIICEMA)*, Palembang, Indonesia, 2012.

<sup>13</sup> Abdullah Al-Mamun and Ahasanul Haque, "Perception of Muslim Consumers Towards Tax Deduction through Zakat in Malaysia: An Empirical Investigation on Muslims in Malaysia," in *the First International Conference on Shari'ah Oriented Public Policy in Islamic Economic System (ICOSOPP 2015)*, Banda Aceh, Indonesia, 2015.

<sup>14</sup> 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 *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<sup>15</sup> also find that the distribution of zakat to eligible *aṣnāf* 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.<sup>16</sup> and Roshaliza Taha et al.<sup>17</sup> 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.<sup>18</sup> For instance, the Malaysian zakat institutions have websites that provide basic information and show the recent activities of the contribution.<sup>19</sup> 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

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<sup>15</sup> Raja Adzrin Raja Ahmad, Ahmad Marzuki Amiruddin Othman, and Muhammad Sufiyudin Salleh, "Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management," *Procedia Economics and Finance* 31 (2015): 146.; Razimi, Romle, and Erdriş, "Zakat Management in Malaysia: A Review," 456. ; Roshaliza Taha et al., "Zakat Distribution in the East Coast: Recipients' View," *Pertanika Journal Of Social Science And Humanities* 25, no. S (2017): 263.

<sup>16</sup> Shamharir Abidin, Ram Al Jaffri Saad, and Nikmal Muzal Mohd Muhaiyuddin, "Evaluating Corporate Reporting on the Internet: The Case of Zakat Institutions in Malaysia," *Jurnal Pengurusan* 42 (2014): 20.

<sup>17</sup> Roshaliza Taha et al., "Zakat Fund in Malaysia: Where Does It All Go?" *Management & Accounting Review (MAR)* 16, no. 1 (2017): 141.

<sup>18</sup> M. Ashraf Al Haq and Norazlina Binti Abd. Wahab, "Effective Zakat Distribution: Highlighting Few Issues and Gaps in Kedah, Malaysia," *Al-Iqtishad: Journal of Islamic Economics* 9, no. 2 (2017): 259-288.

<sup>19</sup> 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.<sup>20</sup> 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.<sup>21</sup> 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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<sup>20</sup> Patrik Aspers and Ugo Corte, "What Is Qualitative in Qualitative Research," *Qualitative sociology* 42, no. 2 (2019): 142.

<sup>21</sup> Nicholas Walliman, *Research Methods: The Basics* (New York: Routledge, 2011), 10.; Mark Saunders, Philip Lewis, and Adrian Thornhill, *Research Methods for Business Students*, 7<sup>th</sup> ed. (Harlow: Pearson Education Limited, 2016), 175.

to identifying some issues that future studies need to carry out.<sup>22</sup> 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 *Aṣnāf*

The digital transformation of *aṣnāf* data is promising for the betterment of zakat management all around the world including Malaysia. The data of *aṣnāf* 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.<sup>23</sup> 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 *aṣnāf* 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

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<sup>22</sup> *The Sage Encyclopedia of Qualitative Research Methods*, ed. Lisa M. Given (Sage publications, 2008), 325-326.; Earl Babbie, *The Basics of Social Research*, 4<sup>th</sup> ed. (California: Thomson Wadsworth, 2008), 98.

<sup>23</sup> Rahman, Alias, and Omar, "Zakat Institution in Malaysia: Problems and Issues," 35.; Taha et al., "Zakat Fund in Malaysia: Where Does It All Go?" 141.

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 *aṣṇāf*. Without having such a data set, many of those needy will be left out and will not get the zakat that they deserve for.<sup>24</sup>

To collect the data of *aṣṇāf*, the zakat institutions might consider several steps such as allowing *aṣṇāf* to register themselves through mobile phone applications or the website of zakat institutions. However, since many *aṣṇāf* might not be able to reach those facilities to register, the zakat institutions might appoint some staff to open booths nearby residential areas where *aṣṇāf* can come and get themselves registered with the staff. The data of *aṣṇāf* 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 *aṣṇāf* information.<sup>25</sup> They should first get consent from *aṣṇāf* 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 *aṣṇāf* 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 *aṣṇāf* 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 *aṣṇāf* who are in dire

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<sup>24</sup> Lubis et al., "Enhancement of Zakat Distribution Management System: Case Study in Malaysia."; Yahaya and Ahmad, "Factors Affecting the Acceptance of Financial Technology among Asnaf for the Distribution of Zakat in Selangor-a Study Using Utaut," 035-046.

<sup>25</sup> Ahmad, Othman, and Salleh, "Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management," 140-151.

need of financial aid instead of bringing forward the surplus to next year.<sup>26</sup>

#### **b. Inadequate Zakat Funds for Human Development**

Zakat aims to assist the needy and other categories of *aṣnāf* 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.<sup>27</sup> The efficient distribution of zakat by the learned organization can confirm that zakat is utilized by providing *aṣnāf* with some basic skills of entrepreneurship, business, and knowledge.<sup>28</sup> Based on those skills and their previous expertise, *aṣnāf* could find ways to meet the basic needs of their lives and fulfill their socioeconomic responsibilities in the community.

Ik Balyanda Akmal et al.<sup>29</sup> 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 *aṣnāf* 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

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<sup>26</sup> Lubis et al., "Enhancement of Zakat Distribution Management System: Case Study in Malaysia."; Anita Md. Shariff et al., "A Robust Zakah System Towards a Progressive Socio-Economic Development in Malaysia," *Middle-East Journal of Scientific Research* 7, no. 4 (2011): 035-046.

<sup>27</sup> Eko Suprayitno, Mohamed Aslam, and Azhar Harun, "Zakat and Sdgs: Impact Zakat on Human Development in the Five States of Malaysia," *International Journal of Zakat* 2, no. 1 (2017): 67.

<sup>28</sup> Tengku Mohd Azizuddin Tuan Mahmood et al., "Issues and Challenges of Zakat Institutions Achieving Maqasid Syariah in Malaysia," *AZKA International Journal of Zakat & Social Finance* 2, no. 1 (2021): 121.

<sup>29</sup> Ik Balyanda Akmal, M Shabri Abd Majid, and Eddy Gunawan, "Does Zakat Matter for Human Development? An Empirical Evidence from Indonesia," *Regional Science Inquiry* 12, no. 2 (2020): 198.

helpful stuff to *aṣnāf*, especially in the productive schemes will hopefully lead them to be zakat payers in the future. This will then fulfill the objectives of shari‘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 *aṣnāf* (as long as they fall under any categories of *aṣnāf*). 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.<sup>30</sup>

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.<sup>31</sup> More

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<sup>30</sup> Wahid, Kader, and Ahmad, "Localization of Zakat Distribution, Religiosity, Quality of Life and Attitude Change (Perceptions of Zakat Recipients in Malaysia)."; Suprayitno, Aslam, and Harun, "Zakat and Sdgs: Impact Zakat on Human Development in the Five States of Malaysia," 63.; Khairul Azhar Meerangani, "The Effectiveness of Zakat in Developing Muslims in Malaysia," *Insaniyat: Journal of Islam and Humanities* 3, no. 2 (2019): 135-136.

<sup>31</sup> Mahyuddin Abu Bakar and Abdullah Abdul Ghani, "Towards Achieving the Quality of Life in the Management of Zakat Distribution to the Rightful Recipients (the Poor and Needy)," *International Journal of Business and Social Science* 2, no. 4 (2011): 237-245.; Wahid, Kader, and Ahmad, "Localization of Zakat Distribution, Religiosity, Quality of Life and Attitude Change (Perceptions of Zakat Recipients in Malaysia)."; Meerangani, "The Effectiveness of Zakat in Developing Muslims in Malaysia," 127-138.

importantly, once *aṣṇāf* 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<sup>32</sup>.

The digital transformation is necessary for such development to allocate and provide a sufficient funds to *aṣṇāf* 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 *aṣṇāf* to make them competent to cope with any current era's challenge. More particularly, special crowdfunding can be introduced to the zakat institutions for *aṣṇāf* with basic skills and expertise to be entrepreneurs. The zakat fund, for instance, can establish training centers for the *aṣṇāf* to build new skills so that they could be entrepreneurs. Otherwise, the training can be about services like cleaning, washing, and fixing stuff. *Aṣṇāf* 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 *aṣṇāf*. 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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<sup>32</sup> Abdul Quddus Suhaib, "Contribution of Zakat in the Social Development of Pakistan," *Pakistan Journal of Social Sciences (PJSS)* 29, no. 2 (2009): 316.; Muhammad Abdullah and Abdul Quddus Suhaib, "The Impact of Zakat on Social Life of Muslim Society," *Pakistan Journal of Islamic Research* 8, no. 1 (2011).; Suprayitno, Aslam, and Harun, "Zakat and Sdgs: Impact Zakat on Human Development in the Five States of Malaysia," 67.

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

Regarding the collection and distribution of zakat, Saad and Abdullah<sup>35</sup> 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.

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<sup>33</sup> Meerangani, "The Effectiveness of Zakat in Developing Muslims in Malaysia," 131.

<sup>34</sup> Shariff et al., "A Robust Zakah System Towards a Progressive Socio-Economic Development in Malaysia," 551.; Razimi, Romle, and Erdris, "Zakat Management in Malaysia: A Review," 454.

<sup>35</sup> Norma Saad and Naziruddin Abdullah, "Is Zakat Capable of Alleviating Poverty? An Analysis on the Distribution of Zakat Fund in Malaysia," *Journal of Islamic Economics, Banking and Finance* 10, no. 1 (2014): 79-80.

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

STATE	2020	2019	2018	2017	2016
JOHOR	300,855,626.51	311,727,367.23	285,784,094.35	260,671,607.01	250,436,479.20
KEDAH	217,913,020.82	206,055,559.61	183,556,547.63	170,030,088.00	140,448,128.00
KELANTAN	202,654,987.00	195,138,060.00	183,034,916.35	179,303,841.00	162,678,760.00
MALACCA	100,720,991.88	98,838,098.55	87,815,011.74	85,598,531.92	70,537,675.73
NEGERI SEMBILAN	144,088,231.79	141,521,193.35	131,116,487.35	124,495,635.43	104,760,388.36
PAHANG	165,260,316.30	167,220,290.72	138,696,397.46	133,655,623.03	122,248,982.33
PENANG	130,875,632.57	121,432,704.21	119,734,212.91	101,454,432.72	96,781,464.11
PERAK	191,633,580.59	207,187,053.49	176,246,175.19	170,804,837.16	151,181,069.12
PERLIS	-	-	-	-	-
SELANGOR	912,956,543.00	855,137,860.00	793,679,701.00	757,112,779.00	673,736,282.00
TERENGGANU	185,104,612.29	178,654,905.67	160,718,725.50	137,949,523.03	133,360,064.38
SABAH	101,788,328.22	88,997,519.92	79,661,792.60	88,318,640.61	63,704,056.64
SARAWAK	110,374,938.58	105,963,561.49	-	92,301,440.00	72,082,740.00
FEDERAL TERRITORY	761,851,601.45	688,405,441.00	657,428,211.00	621,414,431.00	589,296,523.84

Source: *Zakat Collection Statistics throughout Malaysia*<sup>36</sup>.  
[https://baitulmal.jawhar.gov.my/zkt\\_statistik\\_stat.php](https://baitulmal.jawhar.gov.my/zkt_statistik_stat.php)

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

STATE	2020	2019	2018	2017	2016
JOHOR	299,837,853.40	299,809,512.74	261,310,155.66	293,178,449.62	296,999,713.65
KEDAH	195,698,217.47	192,622,521.12	178,463,803.20	152,039,740.44	162,732,368.00
KELANTAN	185,584,047.39	189,017,291.00	181,936,430.62	185,027,240.00	173,148,849.00
MELAKA	80,269,854.00	96,620,295.08	87,073,849.00	-	75,367,964.80
NEGERI SEMBILAN	114,237,224.28	123,406,206.16	127,748,585.30	-	102,867,136.92
PAHANG	134,991,563.56	146,767,912.17	141,910,722.23	-	134,066,490.00
PENANG	126,581,574.21	111,384,871.79	101,010,171.69	99,782,721.01	100,962,507.09
PERAK	165,047,590.88	196,836,278.44	171,489,516.00	171,048,075.59	143,832,214.00
PERLIS	-	-	-	-	-
SELANGOR	867,227,310.00	868,263,524.00	829,878,020.00	616,526,812.00	697,494,013.00
TERENGGANU	171,122,295.83	191,240,463.33	163,138,683.29	183,760,534.93	165,894,689.77
SABAH	88,575,346.45	71,621,952.82	68,268,316.44	62,747,937.69	64,957,773.60
SARAWAK	71,597,655.81	68,143,055.82	-	42,059,912.00	48,363,149.00
FEDERAL TERRITORY	526,470,916.70	445,352,346.00	550,231,376.46	502,022,102.00	444,719,832.00

Source: *Zakat Distribution Statistics by State*<sup>37</sup>.  
[https://baitulmal.jawhar.gov.my/zkt\\_agihan\\_stat.php](https://baitulmal.jawhar.gov.my/zkt_agihan_stat.php)

<sup>36</sup> Jabatan Wakaf Zakat dan Haji (JAWHAR), "Statistik Kutipan Zakat Seluruh Malaysia (Zakat Collection Statistics for the Whole of Malaysia)," Portal Pengurusan Maklumat Zakat dan Baitulmal Malaysia, [https://baitulmal.jawhar.gov.my/zkt\\_statistik\\_stat.php](https://baitulmal.jawhar.gov.my/zkt_statistik_stat.php).

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.<sup>38</sup> 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<sup>39</sup> 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 *fi sabilillah* (for the cause of Allah) group of *aṣṇāf* 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.<sup>40</sup> note that the current zakat distribution in Kelantan focuses on shelter, food, cloth, medical, education, and traveling *fi sabilillah*. However, other necessities such as medical *takaful*, expenses for pregnant women and nursing mothers, advancement of knowledge

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<sup>37</sup> Jabatan Wakaf Zakat dan Haji (JAWHAR), "Statistik Agihan Zakat Mengikut Negeri (Zakat Distribution Statistics by State)," Portal Pengurusan Maklumat Zakat dan Baitulmal Malaysia, [https://baitulmal.jawhar.gov.my/zkt\\_agihan\\_stat.php](https://baitulmal.jawhar.gov.my/zkt_agihan_stat.php).

<sup>38</sup> Lubis et al., "Enhancement of Zakat Distribution Management System: Case Study in Malaysia."

<sup>39</sup> Raja Norhanani Raja Norabidin Shah and Rusni Hassan, "Zakāh Collection and Distribution Framework in Federal Territory of Kuala Lumpur: A Study on Selected Islamic Banking Institutions," *International Journal Of Management and Applied Research* 4, no. 1 (2017): 11.

<sup>40</sup> Mohd Asri Mohd Ali et al., "Factors That Influence the Zakat Collection Funds: A Case in Kuantan," *South East Asia Journal of Contemporary Business, Economics and Law* 13, no. 1 (2017): 30-37.

for the household head, and fulfillment of religious and spiritual activities are also important aspects that can help *aṣnāf* 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.,<sup>41</sup> 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 *aṣnāf* 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 *aṣnāf* of today into zakat payer of tomorrow.<sup>42</sup> Similarly, Taha et al.<sup>43</sup> 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 *aṣnāf*.

Despite having many studies criticizing the efficiency of the zakat management system in Malaysia, the study of Jaapar and Kamarulzaman<sup>44</sup> 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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<sup>41</sup> Razimi, Romle, and Erdris, "Zakat Management in Malaysia: A Review," 453-457.

<sup>42</sup> Rahman, Alias, and Omar, "Zakat Institution in Malaysia: Problems and Issues," 35-41.

<sup>43</sup> Taha et al., "Zakat Distribution in the East Coast: Recipients' View," 255-266.

<sup>44</sup> Asmah Mohd Jaapar and Nur Husnina Kamarulzaman, "The Efficiency of Zakat Collection and Zakat Distribution of Islamic Religious Council Perak (Maipk) Malaysia," in *4th International Conference of Zakat (ICONZ)* (Surabaya, Indonesia 2020).

collection, while 2015 recorded the highest efficiency level in zakat distribution.

Regarding the satisfaction of *aṣṇāf*, the zakat management system in Malaysia constantly strives to fulfill their basic and vital needs. Many *aṣṇāf* are happy to receive the zakat fund from the SIRC's although in many cases, the amount of the zakat fund is insufficient.<sup>45</sup> Apart from basic help, there are also some capital assistances drawn from the zakat collection to help *aṣṇāf* establish a business. This is very supportive and effective as evidenced by their business success stories and the fact that they then stopped being *aṣṇāf*.<sup>46</sup>

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 *aṣṇāf*. 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.<sup>47</sup> 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 *aṣṇāf* (if available), or a digital card can be produced for *aṣṇāf* which allows them to withdraw money from certain bank's ATM (Automated Teller Machine) or distribution centre. Digital coupons can also be provided to *aṣṇāf* on special occasions like Eid which allows them to purchase necessary items.

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<sup>45</sup> Taha et al., "Zakat Distribution in the East Coast: Recipients' View," 255-266.; Meerangani, "The Effectiveness of Zakat in Developing Muslims in Malaysia," 127-138.; Ahmad, Othman, and Salleh, "Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management," 140-151.

<sup>46</sup> Raudha Md Ramli et al., "Understanding Asnaf Attitude: Malaysia's Experience in Quest for an Effective Zakat Distribution Programme," in *the International Zakat Conference*, Bogor, Indonesia 2011.

<sup>47</sup> Nur Asiah Yaakub et al., "Application of Online Payment at Pusat Zakat Negeri Sembilan," *Jurnal ILMU* 7, no. 1 (2017): 106.; Salleh and Chowdhury, "Technology Adoption among Zakat Institutions in Malaysia."

**d. Delay in Distributing Zakat to *Aṣṅāf***

Zakat is collected in Malaysia through several channels such as physical booths in mosques, by post, salary deduction, and payment through bank transfer facilities.<sup>48</sup> However, some people like to give the money directly to *aṣṅāf* which gives them more satisfaction in fulfilling a religious obligation.<sup>49</sup> Receiving zakat at a right time or when it is needed by *aṣṅāf* 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 *aṣṅāf* as soon as it is paid by the zakat payers. Some studies found that the main shortcoming in the zakat management system according to *aṣṅāf* is that it is taking quite some time for the application and disbursement of the zakat fund.<sup>50</sup> A certain state like Melaka even takes approximately two to three weeks from application to disbursement of the zakat fund.<sup>51</sup>

Some other studies<sup>52</sup> 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 *aṣṅāf* 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 *aṣṅāf* are fully satisfied

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<sup>48</sup> Yaakub et al., "Application of Online Payment at Pusat Zakat Negeri Sembilan," 104.

<sup>49</sup> Lubis et al., "Enhancement of Zakat Distribution Management System: Case Study in Malaysia."; Hafizah Zainal, Azizi Abu Bakar, and Ram Al Jaffri Saad, "Reputation, Satisfaction of Zakat Distribution, and Service Quality as Determinant of Stakeholder Trust in Zakat Institutions," *International Journal of Economics and Financial Issues* 6, no. S7 (2016): 72.

<sup>50</sup> Ahmad, Othman, and Salleh, "Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management," 146.; Razimi, Romle, and Erdris, "Zakat Management in Malaysia: A Review," 456.; Taha et al., "Zakat Distribution in the East Coast: Recipients' View," 263.

<sup>51</sup> Ahmad, Othman, and Salleh, "Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management," 146.

<sup>52</sup> 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 *aṣnāf* does not show that it has covered all the necessities of the needy people<sup>53</sup> 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 *aṣnāf* 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 *aṣnāf* might need in a certain state for their daily necessities. Therefore, they can decide whether they can cater to the needs of *aṣnāf* 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 *aṣnāf* 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 *aṣnāf* 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 *aṣnāf* 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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<sup>53</sup> Farah Aida Ahmad Nadzri, Rashidah Abd Rahman, and Normah Omar, "Zakat and Poverty Alleviation: Roles of Zakat Institutions in Malaysia," *International Journal of Arts and Commerce* 1, no. 7 (2012): 61-72.; Mohd Rodzi Embong, Roshaliza Taha, and Mohd Nazli Mohd Nor, "Role of Zakat to Eradicate Poverty in Malaysia," *Jurnal Pengurusan* 39 (2013): 141-150.

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.<sup>54</sup> 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 *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.<sup>55</sup>

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.

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<sup>54</sup> Anis Shakirah, "The Need to Adopt Technology in Zakat Administration," *Global Sadaqah*, <https://www.globalsadaqah.com/blog/technology-zakat-administration/>.

<sup>55</sup> 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.<sup>56</sup> 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 *niṣāb*. 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.<sup>57</sup>

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<sup>56</sup> Saul J. Berman, "Digital Transformation: Opportunities to Create New Business Models," *Strategy & Leadership* 40, no. 2 (2012): 16.; Carmen Cuesta et al., "The Digital Transformation of the Banking Industry," BBVA research, <https://www.bbva.com/en/publicaciones/the-digital-transformation-of-the-banking-industry/>.; Kanchan Rauniyar, Komal Rauniyar, and Deependra Kumar Sah, "Role of Fintech and Innovations for Improvising Digital Financial Inclusion," *International Journal of Innovative Science and Research Technology* 6, no. 5 (2021): 1423.

<sup>57</sup> Andrew Meegan et al., "Does Cryptocurrency Pricing Response to Regulatory Intervention Depend on Underlying Blockchain Architecture?" *Journal of International Financial Markets, Institutions and Money* 70 (101280) (2021): 22.; Rong Li et al., "Investor Attention and Cryptocurrency: Evidence

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<sup>58</sup>. 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.<sup>59</sup> 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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from Wavelet-Based Quantile Granger Causality Analysis," *Research in International Business and Finance* 56 (101389) (2021): 03.

<sup>58</sup> 'Abd Sattār Abū Ghuddah, "Al-Nuqūd Al-Raqmiyyah Al-Ru'yah Al-Shar'iyyah Wa Al-'āthār Al-Iqtisādiyyah," in *Mu'tamar al-Dūḥah al-Rābi' Lil Māl al-Islāmī* (Dūḥah, Qatar 2018); 'Alī Muḥyī al-Dīn Al-Qarahdāghī, "Bitkoin Laisa Muḥarraman Bi Dhātih," *Mawqī' faḍilah al-shayekh 'Alī Muḥyī al-Dīn Al-Qarahdāghī*, <https://alqaradaghi.com/10425/>; Mohd Daud Bakar, "Cryptocurrency: An Holistic and Contemporary Syariah Analysis (Part V)," *Coin.my* <https://coin.my/op-ed/cryptocurrency-an-holistic-and-contemporary-syariah-analysis-part-v/>; Faraz Adam, "The Shariah Factor in Cryptocurrencies and Tokens," *Shariyah Review Bureau* <https://shariyah.com/wp-content/uploads/2019/05/The-Shariah-factors-in-Cryptocurrencies-and-Tokens.pdf>.

<sup>59</sup> 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 *aṣṇāf*, 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 *aṣṇāf* 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 data set of *aṣṇāf* in the country while providing better access, convenient facilities, and sufficient funds that can assist *aṣṇāf* 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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