

# Digitalisation of Zakat Management System in Malaysia: Potential and Challenges

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## Abstract

The Industrial Revolution 4.0 has contributed to the rapid development of information and communication technology. The result of various online applications and social media platforms has had a positive impact on human life. This development also indirectly contributes to the change in the pattern of services of social institutions such as zakat, especially involving the digital segment. Although there is an increase in the collection and distribution of zakat reported, specific issues often underlie the public's perception of the zakat management system. Therefore, this study is important in exploring the potential and challenges of digital platforms to improve the quality of services of zakat institutions in Malaysia, and further suggest improvements to ensure that zakat institutions remain competitive and relevant to current technological developments. This study aims to identify the potential and challenges of the implementation of the digital segment in the zakat management system in Malaysia. By using qualitative research, this study highlights the primary and secondary sources related to the digitisation of zakat. On top of that, this study reviewed the digitalisation approach implemented by each state on zakat's state website. The results of the data are then analyzed inductively to summarize the potential and challenges during the digitization of zakat in Malaysia. The findings summarise the adaptation potential of the digitalisation segment, which is large and still under-explored in each state. Ultimately, the adaptation of the digitalisation segment in zakat management has the potential to increase the efficiency and effectiveness of the quality of services of zakat institutions in Malaysia. Further field research is proposed to obtain more authentic data related to the direction and implementation of digital platforms on the sustainability of the development of zakat services in Malaysia.

**Keywords:** Digitization, Potential, Management, Zakat, Industrial Revolution 4.0

**Introduction**

Building a high-quality ummah requires a vital source of funds and financial instruments to ensure that the nation can achieve every planned goal. Zakat is one of the main instruments that play an essential role in strengthening the economic position of Muslims as well as ensuring justice and social stability by reducing the income gap among the community. Through the obligation of zakat, Islam has created a caring and responsible nature in every Muslim so that they take care of the needy in society. Through the zakat system, people can bridge the socio-economic gap between the rich and the poor through the awareness that exists in the affluent that the needy also have certain rights and shares in their property.

Muslims today face various challenges in the political, economic and social aspects that require a sound system of social support to create well-being among human beings. Thus, zakat is seen as one of the primary mechanisms that catalyse the ummah's civilisation which is effective and follows the circulation and development of the current world. Zakat plays an essential role in overcoming the problem of wealth distribution imbalance, catalysing wealth redistribution activities in stages and helping to curb inflationary tendencies (Ellany et al., 2014). High zakat collection is indirectly able to develop the economy and eradicate poverty that occurs among the Muslim community (Firdaus, 2017). The administration and management of zakat in Malaysia are under the jurisdiction of zakat institutions in each state. Zakat institutions in Malaysia today face significant issues and challenges compared to the management of zakat in the past, especially in inviting and convincing the Muslim community to pay zakat (Firdaus, 2017).

According to Hairunnizam & Sanep (2014), the payment of zakat through formal institutions has been implemented widely by the community. However, there are still a few people who choose to pay zakat directly to the asnaf due to the problem of dissatisfaction and community distrust of the service system provided by zakat institutions. The issue of leakage of zakat payment can occur either by not paying zakat to the appointed institution or paying zakat directly to the asnaf (Firdaus, 2017). Therefore, the implementation of proper strategies and techniques is needed to create confidence and awareness among zakat payers of zakat institutions to manage zakat affairs. The digitalisation segment is seen as an alternative that has the potential to realise as well as increase public trust and confidence in the competence, credibility and transparency of zakat institutions. Therefore, the responsible party must take appropriate steps in digitising the existing management system as well as exploring innovations and technologies to improve services and zakat management in line with current world developments.

**Zakat Management System in Malaysia**

The management and administration of zakat funds in Malaysia is handled by the State Islamic Religious Council (MAIN), as provided in the respective State Administration Enactments. The determination of this specific scope and jurisdiction can open space for MAIN to focus more on managing the collection and distribution of zakat more effectively. As a result, based on the statistics of the report released each year, it can be seen that there is an increase in the collection and distribution of zakat funds in Malaysia. For example, for 2019 alone, almost RM3.1 billion of zakat funds have been successfully collected (excluding the total collection of Perlis, Terengganu and Sarawak), then distributed to qualified recipients. This increase is partly driven by the high level of awareness among the Muslim community about the issue of zakat. In addition to the efficiency of MAIN itself in handling the fund. Details on the statistics of collection and distribution of zakat for each state can be seen in the following table:

Table 1

*Statistics of Zakat Collection and Distribution in Malaysia (Source: JAWHAR and State Islamic Religious Council Website)*

STATE	COLLECTION		DISTRIBUTION	
	2018	2019	2018	2019
Johor	285,784,094.35	307,200,000.00	261,310,155.66	262,900,000.00
Kedah	183,556,547.63	206,055,559.61	178,463,803.20	192,622,521.12
Kelantan	183,034,916.35	195,138,060.00	181,936,430.62	189,017,291.00
Melaka	87,815,011.74	98,838,098.55	87,073,849.00	96,620,295.08
N. Sembilan	131,116,487.35	141,525,193.35	127,748,585.30	123,406,206.16
Pahang	138,696,397.46	167,220,290.72	141,910,722.23	146,767,912.00
Pulau Pinang	119,734,212.91	121,432,704.21	101,010,171.69	111,384,871.79
Perak	176,246,175.19	207,187,053.00	171,489,516.00	197,376,261.00
*Perlis	-	-	-	-
Selangor	793,679,701.00	855,137,860.00	829,878,020.00	868,263,524.00
*Terengganu	160,718,725.50	-	163,138,683.29	-
Sabah	79,661,792.60	88,997,519.92	68,268,316.44	71,621,952.82
*Sarawak	-	-	-	-
Wilayah Persekutuan	657,428,211.00	688,405,441.00	550,231,376.46	445,352,346.00
<b>TOTAL</b>	<b>2,997,472,273.08</b>	<b>3,077,137,780.36</b>	<b>2,862,459,629.89</b>	<b>2,705,333,180.97</b>

Based on the statistics above, it is found that the total collection of zakat has increased by 2.66% from 2018 to 2019, without taking into account the whole collection of zakat in Terengganu for 2019. This increase proves that zakat is the primary source of Muslims who, if appropriately utilised, can provide a shift in the quality of life of Muslims in Malaysia. MAIN itself has implemented various reforms and improvements in the aspect of service to the community in line with current developments today. One of the things that are given the main emphasis is the distribution of zakat funds to qualified recipients (al-mustahik). Various programs have been designed and implemented to ensure that the zakat funds collected are successfully distributed as best as possible to improve the quality and standard of life of each recipient to help them get out of the difficulties and hardships of life (Azhar, 2019).

Zakat institutions need to pay due attention to the level of confidence and trust of the community by improving the system of collection and distribution of zakat effectively and productively. The study by Hairunnizam et al (2017); Khairul & Amirah (2019) showed that there is a positive relationship between the perception of zakat payers on the management of zakat institutions with the rate of zakat payments issued to formal institutions. In other words, the better the individual's perception of the quality of services of the zakat institution, the higher his confidence to pay zakat to the zakat institution and vice versa. In addition, continuous promotion and disclosure related to zakat are also seen to help zakat institutions increase zakat collection. According to Adibah (2016), the higher the exposure to zakat received by an individual, the more inclined they are towards compliance with paying zakat. The approach taken to convey messages related to zakat, such as sermons, talks, forums,

distribution of pamphlets, seminars, installation of banners and so on, are seen to have contributed to the increase in the number of payers.

The effective management of zakat institutions is beneficial in improving the effectiveness of the collection and distribution of zakat, which is the primary mission of enhancing the socio-economy of the local community. A study by Hairunnizam et al (2017) proved that among the main factors influencing individuals to pay zakat formally is the efficiency of zakat management. This fact is supported by Muda et al (2010), who stated that the factors that lead to confidence in the zakat institution are efficiency, effectiveness and transparency in its management. These findings are also consistent with the study conducted by (Rahim et al., 2011). They found that essential elements influencing the payment of zakat to formal institutions are accountability, transparency, fairness and accountability of zakat institutions. To pioneer efficient and quality governance, the application of the digitalisation segment in the management system is seen to be able to make a zakat institution more organised, practical, and in line with the image of an organisational body with a corporate concept.

### **Research Methodology**

This study applies a qualitative approach in the process of data collection and analysis. Qualitative research focuses on efforts to obtain non-numerical information (Cresswell, 2013) that can provide in-depth information about the background of a matter. Thus, this study is based on qualitative methods through the method of data analysis of writing to unravel the potential and challenges of the implementation of the digital segment in the zakat management system in Malaysia. Highlights are done on primary and secondary sources related to the digitisation of zakat and the survival of zakat institutions in Malaysia. In addition, research was also conducted on the websites of zakat institutions in each state to review the digitalisation approach implemented by each state. Data analysis was performed using deductive methods through summaries and conclusions drawn from each literature obtained. This approach is used to summarise the current level as well as the challenges faced in implementing the digital segment in the zakat management system in each state. In addition, the potential of digital elements in existing management systems is also explored to illustrate the problems or phenomena being studied. Next, the findings of the study will be used to form specific conclusions that are appropriate to the issues studied.

### **Digitalisation of Zakat Institutions in Malaysia**

A study of the websites of zakat institutions in each state summarises the use and exploration of digital technology that is still less encouraging in the zakat management system. Three criteria used as indicators in the study, namely zakat collection system (payment platform), distribution system (application method and status check) and public participation (information display and interactive media), show that some zakat institutions are still comfortable implementing traditional management system with an only part only a few are seen seriously exploring innovations and technologies. Selangor Zakat Board, Federal Territory Zakat Collection Center, Negeri Sembilan Baitulmal Corporation, Kedah State Zakat Board and Kelantan Islamic Religious and Malay Customs Council (MAIK) are among the leading institutions to pioneer this effort, thus showing the commitment and seriousness of the management in corporatising the institution. Zakat became a more systematic and respected organisation.

For the first criterion, namely the zakat collection system, the four payment platforms that have been evaluated are Zakat Online, Internet Banking, Smart Applications and other

platforms. For Zakat Online payment, zakat institutions have used the Financial Process Exchange (FPX) service managed by Malaysian Electronic Payment System Sdn Bhd or MEPS. FPX is an online financial transaction platform that connects banks for payment transactions through the internet (internet payment gateway). This allows payers to use a common platform for online payments through registered banks. For Internet Banking, payers can make zakat payments through their respective internet banking accounts by meeting the set security standards, namely Secure TAC. Smartphone applications, on the other hand, refer to the development and availability of multi-functional smart applications that can be downloaded for free from platforms such as Google Playstore or the App Store. Other payment platforms involve payment methods such as Islamic Credit/Debit Card, JomPay, Shopee, Boost and MyEG. A summary of the information is as follows:

Table 2

*Digitization of Zakat Collection System in State Zakat Institutions*

<b>Collection platform</b>	<b>Zakat Online</b>	<b>Internet banking</b>	<b>Smart applications</b>	<b>Others</b>
<b>Zakat Institutions</b>				
Pusat Pungutan Zakat Wilayah Persekutuan (PPZ-MAIWP)	/	/	/	/
Lembaga Zakat Selangor (LZS)	/	/	/	/
Majlis Agama Islam & Adat Melayu Perak (MAIPK)	/	/	X	X
Zakat Pulau Pinang (ZPP)	/	/	/	/
Lembaga Zakat Negeri Kedah (LZNK)	/	/	/	/
Majlis Agama Islam & Adat Istiadat Melayu Perlis (MAIPs)	/	/	/	X
Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK)	/	/	X	/
Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM)	/	/	X	/
Pusat Kutipan Zakat Pahang (PKZP)	/	/	X	/
Majlis Agama Islam Negeri Johor (MAIJ)	/	/	X	/
Perbadanan Baitulmal Negeri Sembilan (PBMaINS)	/	/	/	/
Zakat Melaka (PZM)	X	/	X	/
Tabung Baitulmal Sarawak (TBS)	/	/	/	/
Majlis Ugama Islam Sabah (MUIS)	X	/	X	/

Table 2 shows that the majority of zakat institutions, namely 86% or 12 out of 14 zakat institutions, use FPX as the medium of zakat payment, in addition to the full use of 100% of the internet banking system for the same purpose. As for smartphone applications, only five institutions have so far successfully developed their zakat payment applications, namely PPZ-MAIWP through MyZakat, LZS (ZakatSelangor), TBS (Tabung Baitulmal Sarawak), PBMaINS (MAINS) and MAIPs (Mobile Apps MAIPs). Some other institutions only offer this service in an integrated manner through collaboration with e-wallet applications, such as Tulus (MAIDAM and MAIJ), GoPAYZ (ZPP), PahangGo (PKZP) and SnapNPay (MUIS). Receipt of zakat through other payment platforms also recorded a relatively high percentage, which is almost 86%,

with LZS and PPZ-MAIWP saw to excel through the use of Shopee, Boost, Jompay and MyEG platforms in addition to Islamic Debit/Credit Card.

For the criteria of the zakat distribution system, the evaluation is focused on the application aspect and online status checks using a digital platform. The three digital application and review platforms that have been evaluated are websites, smart applications and other platforms. The website refers to the availability of specific access for the zakat application and online application status check. In contrast, the smartphone application involves the development of particular applications for the same purpose. Other platforms are additional initiatives by zakat institutions in facilitating applications for assistance either directly or indirectly (public reports) through Whatsapp, Telegram, or social media platforms such as Facebook and Twitter. A summary of the information is as follows:

Table 3

*Digitization of Zakat Distribution System in State Zakat Institutions*

<b>Collection platform</b>	<b>Website</b>	<b>Smart application</b>	<b>Others</b>
<b>Zakat Institutions</b>			
Pusat Pungutan Zakat Wilayah Persekutuan (PPZ-MAIWP)	/	/	/
Lembaga Zakat Selangor (LZS)	/	X	/
Majlis Agama Islam & Adat Melayu Perak (MAIPK)	X	X	/
Zakat Pulau Pinang (ZPP)	X	X	/
Lembaga Zakat Negeri Kedah (LZNK)	/	/	X
Majlis Agama Islam & Adat Istiadat Melayu Perlis (MAIPs)	/	X	/
Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK)	/	X	X
Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM)	/	/	/
Pusat Kutipan Zakat Pahang (PKZP)	/	X	X
Majlis Agama Islam Negeri Johor (MAIJ)	X	X	/
Perbadanan Baitulmal Negeri Sembilan (PBMaINS)	/	X	/
Zakat Melaka (PZM)	X	/	/
Tabung Baitulmal Sarawak (TBS)	X	/	/
Majlis Ugama Islam Sabah (MUIS)	/	X	/

Table 3 shows the still moderate use of digital technology for zakat application (distribution) compared to payment platforms (collection), which is around 60% or 8 out of 14 zakat institutions. However, when refined, only two institutions provide online application access on their websites, namely the Zakat Application System (MAIDAM) and Asnaf Prihatin (LZS). Institutions such as PPZ-MAIWP, LZS and MAINS only provide specific access for IPT Scholarship zakat applications. The majority of zakat institutions are still tied to the traditional method, namely the preparation of application forms in softcopy (pdf) format, which must be sent manually to the nearest zakat counter. Several institutions have provided access to application status review services such as Asnaf Assistance Review System (MAIK), Asnaf Application Review System (MAIPs) and Asnaf Assistance Review System (MAINS). Despite this, there are additional initiatives from certain institutions through the provision of online

zakat application access for emergency assistance during the COVID-19 pandemic. Among them are Zakat-Musa'adah Emergency Assistance (MAIWP), Caring Assistance System (MAIK), Zakat Caring Contribution (MUIP) and PKP Special Zakat Assistance Application System (MAINS). As for the criteria of smartphone applications, only six institutions have successfully developed their applications, namely Mobile Apps MAIPs (MAIPs), Mobile Jejak Asnaf (MAIWP), Tabung Baitulmal Sarawak and Jejak Asnaf 3.0 (TBS), Jejak Asnaf (MAIM), Sahabat MAIDAM (MAIDAM) and Jom Lapor Asnaf (LZNK). Other platforms show the commitment of zakat institutions to track individuals in need through Asnaf Advocacy Squad (MAINS), Asnaf Tracking Squad (MAIWP), Saidina Umar Squad (LZS), Asnaf Care Team (ZPP), Zakat Distribution Squad (PZM), Asnaf Trail (TBS) and Zakat Assistance Application-Google Form (MAIJ).

The last criterion, public participation, focuses on zakat institution initiatives to increase public delivery and participation through informative and interactive information sharing. Important information such as current collection and distribution statistics, payment and application procedures, responsive and comprehensive feedback, as well as creative and innovative zakat info should always be available, up-to-date and easily accessible. The three public delivery and participation platforms evaluated were websites, digital media, smart applications and other platforms. Websites refer to the availability of important information in a simple and up-to-date manner, while digital media involves active involvement in influential social media such as Facebook, Twitter, Instagram and Youtube as an additional initiative to facilitate interaction between zakat institutions and stakeholders. A summary of the information is as follows:

Table 4

*Digitization of Zakat Information System in State Zakat Institutions*

<b>Participation</b>	<b>Website</b>	<b>Digital media</b>	<b>Smart application</b>
<b>Zakat Institutions</b>			
Pusat Pungutan Zakat Wilayah Persekutuan (PPZ-MAIWP)	/	/	/
Lembaga Zakat Selangor (LZS)	/	/	/
Majlis Agama Islam & Adat Melayu Perak (MAIPK)	X	/	X
Zakat Pulau Pinang (ZPP)	/	/	X
Lembaga Zakat Negeri Kedah (LZNK)	/	/	/
Majlis Agama Islam & Adat Istiadat Melayu Perlis (MAIPs)	X	X	/
Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK)	/	/	X
Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM)	X	X	/
Pusat Kutipan Zakat Pahang (PKZP)	X	/	X
Majlis Agama Islam Negeri Johor (MAIJ)	X	/	X
Perbadanan Baitulmal Negeri Sembilan (PBMAINS)	/	/	/
Zakat Melaka (PZM)	X	/	X
Tabung Baitulmal Sarawak (TBS)	X	/	/
Majlis Ugama Islam Sabah (MUIS)	/	/	X

Table 4 shows the still moderate involvement and utilisation of the digital segment as a medium of public delivery and participation. Based on research on the official website of each institution, only about 40% or 6 out of 14 zakat institutions have informative and interactive websites. Two zakat institutions, namely MAIK and LZNK, have successfully developed a statistical dashboard display during the collection and distribution of zakat (the real-time update). In addition, four other institutions, namely PPZ-MAIWP, LZS, ZPP and PBMaINS, also managed to display current statistics until the first quarter of 2021. For digital media platforms, all zakat institutions have been actively involved in influential social media, with the majority having an average of 3-4 social media accounts, namely Facebook, Instagram, Twitter and Youtube, except MAIDAM and MAIPs. A survey of social media accounts such as Facebook found that the three institutions with the highest number of followers were LZS (290,599), PPZ-MAIWP (177,763) and MAINS (94,566), with PZM recording the lowest number of followers (9776). Sophisticated smartphone applications should have general features such as zakat info, calculation calculators, payment platforms, assistance records, current statistics as well as activity reports. Based on the research, only the MAINS (PBMaINS), Zakat on Touch (LZNK), MyZakat (PPZ-MAIWP), ZakatSelangor (LZS), Tabung Baitulmal Sarawak (TBS) and Mobile Apps MAIPs (MAIPs) applications are seen to have the functions as stated.

### **Potential and Challenges of Digitalising The Zakat Management System**

The Industrial Revolution 4.0 has contributed to the rapid development of information and communication technology. To ensure that Malaysia does not lag in this development, the government has planned a Comprehensive Roadmap for the Industrial Revolution 4.0 (IR 4.0) and National Digital to ensure that the implementation of digital infrastructure in the country can benefit all citizens, thereby driving Malaysia's economic growth. This direction will focus on six key components, namely digital talent development, new technologies, the economy of all, society and government-related. In addition, the government, under the 12th Malaysia Plan (2021–2025), is also committed to efforts to improve the country's digital communications through the implementation of the digital infrastructure plan, known as the National Digital Network (JENDELA). The project is an essential platform for providing comprehensive and high-quality broadband service coverage, thus preparing the country for a steady transition to 5G technology. The government has also injected additional investments worth RM400 million through the People's Caring Economic Stimulus Package (PRIHATIN) to enable the telecommunications industry to strengthen the performance of their respective networks. Thus, all parties, including state governments, local authorities, ministries and relevant agencies, have been mobilised to support the government's aspiration to make communication services a primary facility to drive the country towards a digital economy.

In the current context, the COVID-19 pandemic threat and the enforcement of the Movement Control Order (MCO) have indirectly introduced Malaysians to a new norm, including the use of social media and online applications for various purposes and needs. The Malaysian Communications and Multimedia Commission (MCMC) has reported a sharp increase in demand for broadband since the implementation of the MCO. This is because business activities, learning, conferences, meetings and so on are conducted from home. Compliance with the implemented MCO saw an increase of 23.5% in internet traffic flow nationwide in the first week of MCO and further increased by 8.6% in the second week. The rapid advancement of information and communication technology in line with the era of the Industrial Revolution 4.0 has made everything at your fingertips. Although there are many



benefits gained as a result of this development, in other respects, aspects of privacy and security of every user of the cyber medium also need to be given significant attention.

The Industrial Revolution 4.0 has brought significant changes in the digital world. The development of the digital world led by information and communication technology is increasingly sophisticated and sophisticated. It also has a significant impact on the pattern of social interaction in society. In the interactions that take place today, consumer networks have crossed national, religious and ethnic boundaries. They can communicate quickly, cheaply, easily and without limits. Based on the FinTech Malaysia 2020 Report, 75.9% of the Malaysian population are smartphone users, with 85.1% of them using online banking and 40% using mobile banking. In addition, 28.4% of users reported using smartphones for online purchases, with 14% making purchases through online applications. Apart from purchasing, the use of the internet and smartphones is also said to be more focused on new social media such as Facebook, Twitter, Instagram and Whatsapp. Ultimately, the current situation is a wake-up call to zakat institutions in each state to utilise the potential that exists in current digital technology and innovation to further improve the services offered in line with the digital era and the Industrial Revolution 4.0.

In Malaysia, issues related to zakat institutions are often a topic of public debate on social media, especially as a channel to voice their dissatisfaction with the collection and distribution system, transparency of information delivery and activity reporting, and service quality and management competencies. These issues are seen to have the potential to affect the level of community credibility on the credibility of a zakat institution. Nawi et al (2021) stated that the involvement of zakat institutions in current social media platforms such as Facebook, Twitter and Instagram is still moderate and has not been optimally utilised. Interactive and informative reporting of services and activities can not only serve as an effective promotional field to increase the accessibility, accessibility and credibility of the public. It is this trust factor that is the core to the success of the increase in collection, as well as the distribution of zakat every year. Therefore, each zakat institution needs to identify the perception and acceptance of stakeholders, such as payers and recipients of zakat, on the quality of services of zakat institutions. This assessment is vital for an organisation such as a zakat institution to function effectively, further realising the objective of socio-economic justice through the balanced and equitable distribution of wealth resources (Norazlina et al., 2017).

The era of Industrial Revolution 4.0 requires fast-moving zakat institutions to transform themselves into the digital realm. The latest digital technology and innovations can create a quality zakat management system, thus influencing the performance of the collection and distribution of zakat funds themselves. Although there is no denying that the pioneering efforts to integrate technology platforms in existing systems have been underway, as a whole, it is still not comprehensive. The value of accountability in governance is one of the crucial elements underlying the concept of Islamic management. Organisations need to be transparent to ensure that all information related to institutional objectives, operational journey, product offerings, and service quality is adequate and can be directly accessed by stakeholders. This can create the basis of functional programming (functional programming) in operation, as well as serve as a check and balance mechanism in the management system of zakat institutions. However, the current reality shows that the majority of zakat institutions still focus on the traditional collection and distribution service system, in addition to the delivery of information that is still limited and limited. Issues that exist in the management of zakat institutions in each state still revolve around the same problems, such as collection and distribution statistics are not updated, incomplete activity-travel reports, unattractive

websites, non -interactive social media, as well as awareness of blockchain technology (Ibrahim & Zakaria, 2021; Lukman, 2020; Marhanum & Chowdhury, 2020; Akram & Djafri, 2019).

Ultimately, zakat institutions, as an essential organisation that manages zakat collection and distribution funds in Malaysia, should take steps to pioneer the exploration and adaptation of current digital technologies such as Fintech to improve the quality of existing services and management. FinTech is an abbreviation to refer to the use of technology in the financial system (Financial Technology). This platform is multiplying and is considered a determining factor influencing the effectiveness and success of the Industrial Revolution 4.0. Various start-up organisations have been established to meet the demand and needs of online financial applications globally through the offering of various service products, such as payments, e-wallets, Cryptocurrency, and crowdfunding. , investment (investment), blockchain, lending (lending), insurance technology (Insurtech), comparison technology (comparison site), know customers (KYC/REGTECH), market (marketplace), Islamic financial technology (Islamic FinTech), artificial intelligence ( artificial intelligence), remittance, currency exchange and personal finance.

This rapidly evolving computing technology offers a variety of exciting potentials that need to be explored and further harnessed, such as a vast network of contacts, ample data storage space as well as the sophistication of simple and effective analytical tools (Shahidi & Shukri, 2019). Ultimately, this tremendous opportunity and space have the potential to increase the effectiveness and efficiency of zakat institutions through:

### **1) Service Delivery**

The use of digital technology can help zakat institutions to offer more efficient services to stakeholders. Various transactions can be performed regardless of time and location constraints, in contrast to manual services, which are tied to limited time and location constraints. Zakat payers can pay zakat quickly and comfortably without any problems. Travel time and cost can also be saved as they no longer have to drive and queue at the zakat counter. Zakat applicants can also apply and check their status online in the same format. It is also able to ensure environmental sustainability through a paperless policy, whereby applicants no longer have to fill out printed forms sheet by sheet instead of being replaced with an online application system. The application review process and distribution procedures can also be done more quickly, effectively and systematically when everything is just at your fingertips.

### **2) Effectiveness of Communication Medium**

The existence of social media such as Twitter, Instagram, Twitter, Youtube and TikTok is seen to have triggered new paradigms that influence the digital communication patterns of society. Broad and fast target reach can make zakat institutions more responsive, effective and productive in dealing with the problems of the public. Fast and accurate distribution of information is important in helping the payment and distribution of zakat assistance to those in need. At the same time, the spread of inaccurate information that invites public perceptions and accusations can also be clarified and refuted earlier. The general public is also more comfortable interacting with zakat institutions with various new communication alternatives in addition to traditional platforms such as email and telephone. With that, the zakat institution is no longer seen as separate from the public but instead begins to play a role as a leading welfare organisation in facing the issues and social problems of the public.

Organisational transparency also increases when all information, primarily related to the collection and distribution of zakat, can be accessed directly and easily online. At the same time, the public's trust in the credibility of the zakat institution has indeed soared to a better and more encouraging level.

### **3) Systematic Data Management**

One-stop centre data accessibility can make things easier, simpler and faster through the use of various software. Big Data has become a new trend with the development of the global digital ecosystem. This has driven the growth of large, diverse, unlimited and valuable Big Data (volume, variety, velocity, value) up to terabytes and petabytes of data. The government itself, through the Ministry of Communications and Multimedia Malaysia (KKMM), in collaboration with the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) and Malaysia Digital Economy Corporation (MDeC), has pioneered the implementation of Big Data Analytics (BDA) since 2013. Therefore, zakat institutions should also be involved in this initiative to provide a more systematic and comprehensive zakat database. The quality of zakat management and services can be improved to a higher level when information and data related to zakat payments and assistance can be analysed quickly, accurately and efficiently.

### **4) More Secure Data Security**

The availability of digital data requires high and adequate security controls. Thus, the government has enforced the MS ISO/IEC 27001: 2013 Information Security Management System (ISMS) certification compliance requirements to monitor, maintain and improve the organisation's data security system. ISMS emphasises the principles of confidentiality (information not disclosed arbitrarily or allowed to be accessed without permission), integrity (data and information are accurate, complete and up-to-date and can be altered in an authorised manner) and availability (data and information can be accessed at any time). The government itself 2021 has launched a Cloud Transformation Plan (cloud), which targets the migration of 80% of public data to hybrid cloud systems by the end of 2022 to strengthen cloud computing services in the public sector. This is in line with Malaysia's desire to fully realise Malaysia's Digital mission by 2030. At the same time, various managed security services of international standards are also provided, such as Global Cyber Threat Intelligence (CTI), Active Cyber Defense– ACD), and the 24/7 Global Cybersecurity Operations Center – G-CSOC. With quality security control, zakat institutions are undoubtedly able to increase the security of the organisation's information and data systems. Ultimately, management efficiency is also improved through the achievement of optimal results involving minimal operating costs.

### **Conclusion**

Appropriate strategies and approaches need to be implemented to create confidence and awareness among stakeholders on the management of zakat institutions. The digital platform is seen as an alternative that has the potential to realise and increase public trust and confidence in the competence, credibility and transparency of zakat institutions. Therefore, appropriate initiatives need to be carried out to improve the quality of services and management of zakat in line with current world developments. The shift in the management of zakat institutions from traditional to digital platforms is a new paradigm shift that needs to be pioneered and explored as optimally as possible. The development of various digital

platforms such as Fintech, Blockchain and Big Data offers ample opportunities and space for zakat institutions to increase their competence and credibility to a better level, in line with the development of Industrial Revolution 4.0 and the National Digital Policy.

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