



## **Digitizing Zakat Distribution in Malaysia: A Case Study on Application Process at Kedah State Zakat Board**

Salmy Edawati Yaacob

Faculty of Islamic Studies, Universiti Kebangsaan Malaysia

Shifa Mohd Nor

Faculty of Economics and Management, Universiti Kebangsaan Malaysia

Aisyah Abdul Rahman

Faculty of Economics and Management, Universiti Kebangsaan Malaysia

Hafizah Zainal

Kedah Zakat International Research Centre, Lembaga Zakat Negeri Kedah

Email:eychah@ukm.edu.my

**Abstract:** This research examines the implementation of the digital zakat application process for eligible recipients via the "Zakat on Touch" (ZoT) platform, managed by the Kedah State Zakat Board (LZNK), Malaysia. Amidst technological advancements, the LZNK has introduced the ZoT application to facilitate zakat transactions. Although this system offers a range of features that benefit zakat contributors in Kedah, it has yet to implement the digitalization of the application process. This study evaluates the potential for incorporating a zakat application functionality within the ZoT system. The methodology adopted for this research includes in-depth interviews with seven LZNK officials. The findings suggest that, with proposed enhancements currently under evaluation, the ZoT application could facilitate the online zakat application process for eligible recipients. Moreover, LZNK's adept implementation of digital solutions has markedly improved the zakat management system, benefiting the payers, beneficiaries, and administrators. The community's favorable response to these initiatives is evidence of LZNK's successful innovation in innovating zakat management practices within Kedah. This research makes a significant contribution to knowledge fourfold. First, to reveal the zakat management models used in various countries, which are valuable benchmarks and indicators for the development of digital zakat. Second, the importance and need for increased use of technology in Malaysia, especially focusing on the competence of zakat institutions in the field of financial technology through the LZNK case study. Third, the findings of this research found that the positive impact of digital zakat in the state of Kedah is greater than the negative impact.

**Keywords:** Digital zakat, application process, distribution, zakat institution

**Abstrak:** Penelitian ini mengkaji implementasi proses penggunaan zakat digital bagi penerima yang memenuhi syarat melalui platform “Zakat on Touch” (ZoT) yang dikelola oleh Badan Zakat Negara Kedah (LZNK), Malaysia. Di tengah kemajuan teknologi, LZNK memperkenalkan aplikasi ZoT untuk memudahkan transaksi zakat. Meskipun sistem ini menawarkan rangkaian fitur yang bermanfaat bagi para kontributor zakat di Kedah, sistem ini belum menerapkan digitalisasi pada proses penggunaannya. Studi ini mengevaluasi potensi untuk menggabungkan fungsionalitas aplikasi zakat dalam sistem ZoT. Metodologi yang digunakan dalam penelitian ini meliputi wawancara mendalam terhadap tujuh warga kerja LZNK. Temuan ini menunjukkan bahwa, dengan usulan perbaikan yang saat ini sedang dievaluasi, aplikasi ZoT dapat memfasilitasi proses penggunaan zakat digital bagi penerima yang memenuhi syarat. Selain itu, kemahiran penerapan solusi digital oleh LZNK telah meningkatkan sistem pengelolaan zakat secara nyata, memberikan manfaat bagi pembayar, penerima manfaat, dan pengelola. Respon positif masyarakat terhadap inisiatif ini merupakan bukti keberhasilan inovasi LZNK dalam menginovasi praktik pengelolaan zakat di Kedah. Penelitian ini memberikan kontribusi yang signifikan terhadap pengetahuan sebanyak empat kali lipat. Pertama, mengungkap model pengelolaan zakat yang digunakan di berbagai negara, yang menjadi tolok ukur dan indikator berharga bagi pengembangan zakat digital. Kedua, pentingnya dan perlunya meningkatnya penggunaan teknologi di Malaysia, terutama berfokus pada kompetensi lembaga zakat di bidang teknologi keuangan melalui studi kasus LZNK. Ketiga, temuan penelitian ini menemukan bahwa dampak positif zakat digital di negara bagian Kedah lebih besar daripada dampak negatifnya.

**Kata Kunci:** Zakat digital, proses aplikasi, distribusi, lembaga zakat

## Introduction

Zakat, a cornerstone of Islamic social welfare and financial systems, serves as a spiritual commitment and a means to facilitate economic redistribution in Muslim societies. Rooted in the principle of purification, 'zakat' linguistically means purifying one's property and soul, while its technical application in Islamic law indicates a form of obligatory charity.<sup>1</sup> Recently, zakat administration has been transformed by the emergence of digital technology, marking a global trend towards digitizing religious practices, with significant progress in Malaysia.<sup>2</sup> The

---

<sup>1</sup> Wahbah Al-Zuhaili, *Fiqh & Perundangan Islam, Jilid II*, vol. 2. Dewan Bahasa dan Pustaka (1994), p. 25-37. Mohd. ‘Adli Zahri, et.al., “Microfinancing from the Zakat Fund in Baitul Mal Aceh and the Readiness of Malaysia's Asnaf Entrepreneurs,” *Samarah: Jurnal Hukum Keluarga dan Hukum Islam* 7, No. 1 (2023).

<sup>2</sup> Kamaru Salam Yusof, et. al., “Digital Payment of Zakat: Community Perceptions and Prospects in Brunei,” *Borneo International Journal EISSN* 6, 2, (2023), p. 1-7. Hukmiah Husain, et.al., “Zakat and Empowerment of the Bajo Tribe Fishing Community in Bone, South Sulawesi:

term 'digital' refers to the use of systems and electronic devices that encode data digitally, which today includes a variety of technologies from computers to mobile applications. Throughout the Islamic world, zakat management ranges from mandatory obligations enforced by law in countries such as Malaysia and Saudi Arabia to voluntary contributions overseen by government bodies such as Kuwait and Indonesia.<sup>3</sup> This digital shift, known as e-zakat, uses online platforms to streamline and expand the reach of this religious task, increasing efficiency and accessibility.<sup>4</sup>

In this technological environment, Malaysia's Kedah State Zakat Board (LZNK) has emerged as a pioneer with the Zakat on Touch (ZoT) application. ZoT is a digital innovation that aims to optimize the transparency and efficiency of zakat transactions. The ZoT application by the LZNK revolutionizes zakat management by increasing transparency and accessibility, offering a more expansive reach potential and greater efficiency in distributing funds. Despite the advances and benefits, the transition to a digital platform has challenges. Previous research has highlighted the Theory of Diffusion of Innovations which illustrates how, why, and to what extent new technologies can be developed and adopted in various contexts. The characteristics of innovation can influence an individual's decision to adopt or reject an innovation.<sup>5</sup> Additionally, there is a possible threat of cybersecurity risks,<sup>6</sup> alongside the necessity for infrastructural and regulatory adaptation<sup>7</sup> to ensure secure and equitable implementation. This doubt raises significant implications for the implementation and sustainability of the digital zakat system.<sup>8</sup>

The current study aims to explore this evolving intersection of technology and religious practice. By examining the case of LZNK and its ZoT application, we aim to identify facilitators and barriers to the digital zakat implementation process. This research was motivated by a literature gap in comprehensive

---

Collaboration between BAZNAS and the Ministry of Religion,” *El-Usrah: Jurnal Hukum Keluarga* 7, No. 2 (2024).

<sup>3</sup> Noor Achmad, “Peradaban Pengelolaan Zakat Di Dunia Dan Sejarah Zakat Di Indonesia,” *Iqtisad: Reconstruction of Justice and Welfare for Indonesia* 9, no. 2 (2022), p. 119.

<sup>4</sup> Muhamad Daniyal, et. al., “The Intention of Millennial Generation in Paying Zakat through Digital Payments International Journal of Islamic Business and Economics,” *International Journal of Islamic Business and Economics (IJIBEC)* 5, no. 1 (2021), p. 38–47.

<sup>5</sup> Pertiwi Utami et. al., “The Effect Digitalization Zakat Payment Against Potential of Zakat Acceptance in National Amil Zakat Agency,” *Iqtishadia* 13, no. 2 (2020), p. 216.

<sup>6</sup> Evra Willya et. al., “The Role of Information Technology in Optimizing Zakat Management Article Info Abstract,” *West Science Islamic Studies*, vol. 1, (2023), p. 34-55.

<sup>7</sup> Moutaz Abojeib and Farrukh Habib, “Blockchain for Islamic Social Responsibility Institutions,” in *Research Anthology on Blockchain Technology in Business, Healthcare, Education, and Government* (IGI Global, 2020), p. 14–28.

<sup>8</sup> Aisyah Abdul-Rahman, et.al., “Technological Integration Within Zakat Institutions: A Comprehensive Review And Prospective Research Directions”. *International Journal of Islamic Thought*, (2023), p. 31-43.

empirical studies on using digital zakat systems in the demographic context of zakat administrators. To explore the possibility of digitalizing the application process at LZNK, the following research questions are presented: To what extent has the ZoT application been implemented in the Zakat management process by LZNK? What are the perceived benefits and challenges of using ZoT applications among various stakeholders? How does using the ZoT application affect digital financial literacy and the zakat collection and distribution rate?

The importance of this study is multi-dimensional. It not only aims to contribute to the scholarly discourse on digital zakat practices but also offers practical insights that can guide the evolution of zakat management systems globally. Additionally, this research aims to clarify the practicality and possible obstacles LZNK encounters when deploying digital zakat systems for application by eligible recipients. The goal is to assist LZNK in strategizing and creating user-centric digital zakat platforms accessible to a broader demographic.

The structure of this paper is elaborated as follows: After this introductory section, Section 2 provides a comprehensive review of extent scholarly works, thereby building the theoretical edifice that supports this research. Section 3 outlines the methodological framework of the research, including data collection and analysis methods. Section 4 presents the study's empirical findings, while Section 5 critically discusses these findings, juxtaposing them within the broader scholarly discourse. This treatise reaches its denouement in Section 6, which covers the core insights, outlines their practical and policy implications, and offers avenues for scholarly pursuit in future investigations. This paper is organized as follows: After this introduction, Section 2 reviews the relevant literature, establishing a theoretical framework that underpins the study. Section 3 describes the research methodology, Section 4 presents the findings, and Section 5 discusses them in the context of the existing literature. Finally, Section 6 concludes the paper with a summary of findings, implications for practice and policy, and recommendations for future research.

This research utilizes the qualitative interview method, engaging directly with officials from the Kedah State Zakat Board (LZNK) on July 23, 2023. The methodology aligns with the principles outlined by Alsaawi (2014) involving face-to-face interviews, an essential approach in data collection that facilitates in-depth and nuanced views from respondents.<sup>9</sup> The selected participants for this study consisted of key personnel from various divisions within LZNK, including the Research Center, Zakat Collection Division, Analysis and Data Division, and Zakat Distribution Division. These individuals are strategically selected to provide a comprehensive perspective across the spectrum of the organization. A

---

<sup>9</sup> Ali Alsaawi, "A Critical Review of Qualitative Interviews," *European Journal of Business and Social Sciences*, vol. 3, (2014).

detailed enumeration of LZNK officials who participated in these interview sessions is illustrated in Table 2.

Table 2. List of Informants

No	Position	Reference
1	LZNK Study Centre Officer	Informant 1
2	Zakat Collection Division Officer LZNK	Informant 2
3	Property Zakat Collection Division Officer LZNK	Informant 3
4	Analytical and Data Division Officer LZNK	Informant 4
5	Zakat Distribution Division Officer LZNK	Informant 5
6	Distribution Operations Division Officer LZNK	Informant 6
7	Study Centre Officer LZNK	Informant 7

Source: *Kedah State Zakat Board (LZNK)*

### Digitalization of Zakat

The integration of digital technology in the practice of zakat has significantly changed its collection and distribution, marking a new era in Islamic financial practice. This transition not only offers unprecedented opportunities and unique challenges in the global landscape. This article explores the various dimensions of digital zakat, focusing on collection, distribution, application, and related challenges and current issues at the international level.

#### a) Digitalization of Zakat Collection

Malaysia stands out as a prime example of the digital zakat collection. The country's state zakat institutions have evolved to incorporate digital methods, making it easier for Muslim communities to fulfill their religious obligations.<sup>10</sup> Initially limited to payment at the zakat counter, this institution has embraced digital transformation. A significant development in this field is the creation of special applications by state zakat institutions explicitly designed for zakat

---

<sup>10</sup> Faisol Ibrahim, "Analisis Kaedah Bayaran Zakat Harta Institusi Zakat Di Malaysia," *JMFIR* 13, no. 2 (2016), p. 1-15.

payments, thus increasing the accessibility and convenience of payers.<sup>11</sup> Furthermore, Islamic banking institutions in Malaysia have diversified zakat payment methods, reflecting the versatile nature of digital transactions. The methods offered by these institutions include online services, bank counter payments, credit card transactions, and the use of checks, bank drafts, or money orders. Additionally, they provide options for phone banking, SMS-based payments, and transactions through Auto Teller Machines (ATMs). This variety of digital payment options shows Islamic financial institutions' adaptability and responsiveness to modern society's needs. Moreover, other entities, such as private companies, are also involved in offering zakat payment schemes through salary deductions. The Institute of Higher Education has established a zakat counter to facilitate this practice among academics. In addition, the post office system also participates in this network, providing another zakat payment channel.

In examining the diversity of the zakat collection landscape in Nigeria, zakat collection methods and channels differ significantly across different regions, reflecting religious demographics and existing organizational structures, especially in areas with a Muslim majority, such as the northwest, northeast, and north-central regions, government-established agencies such as Kano State Zakat and Hubusi Commission, Zamfara State Zakat and Waqf Board, and Sokoto State. The Sokoto State Zakat and Waqf (Endowment)<sup>12</sup> Commission (SOZECOM) is primarily responsible for zakat collection and distribution.<sup>13</sup> On the other hand, in areas where Muslims are a minority, the duty of zakat collection falls to non-governmental bodies, such as The Muslim Welfare Fund and the Zakat and Sadaqat Foundation. This NGO plays a vital role in fulfilling zakat obligations in this community. There are areas where the Muslim population is so sparse that the management of zakat must be a private affair, handled individually or in small communities.<sup>14</sup> Nigeria's North-West, North-East, and North-Central regions uniquely employ all three collection methods, accommodating the varying density of Muslim populations within these regions. On the other hand, the South-Western region mainly relies on the last two methods. In contrast, the South-Eastern and Southern regions mostly use private zakat management due to the relatively small number of Muslim populations. In the digital realm, zakat

---

<sup>11</sup> Nik Abdul Rahim Nik Abdul Ghani, et.al., "Analisis Hukum Penggunaan Dana Zakat Untuk Pembangunan Model Takaful Mikro," *Journal of Contemporary Islamic Law* 3, No. 2, (2018), p. 28-36.

<sup>12</sup> Sri Wahyu Sakina Ahmad Sanusi, et.al., "Wakaf Zurri: Instrumen Pengurusan Harta Dalam Pembangunan Tamadun Islam," *Journal of Al-Tamaddun*. (2018), p. 139-152.

<sup>13</sup> Maya Hammad, "Overview of Zakat Practices around the World Standard-Nutzungsbedingungen," (2022), p. 1-11.

<sup>14</sup> Sri Wahyu Sakina Ahmad Sanusi, et.al., "The Management And Implementation of Zurri Waqf In Malaysian Waqf Institution," *Jurnal Pengurusan* (2023), p. 1-13.

collection in Nigeria is mainly facilitated by non-governmental organizations through their websites.<sup>15</sup> This digital approach differs from the traditional method used by government agencies, which involves zakat officers collecting zakat in the mosque area during Friday prayers, congregational prayers, and other public religious ceremonies.

#### b) Digitalization of Zakat Distribution

In Malaysia, zakat institutions are essential in addressing socio-economic needs through assistance programs. These programs usually cover six main areas: current consumption (including food and bare subsistence), medical care, education, entrepreneurship, religious observance, and emergency support. This multifaceted approach underlines a deep understanding of the various needs of zakat recipients, ensuring that fund allocation effectively targets critical areas of socio-economic welfare. The emergence of Fintech has significantly revolutionized the zakat distribution process. This technological evolution is particularly evident in the shift from traditional transaction methods to digital platforms, further accelerated by the COVID-19 pandemic.<sup>16</sup> A significant manifestation of this digital shift is observed in using the KiplePay application to distribute zakat, particularly to wallet (those in need) students. In this innovative model, the Kedah State Zakat Board (LZNK) collaborates with Universiti Utara Malaysia (UUM) as an amil agent (zakat collector). Zakat funds administered by UUM's zakat management are channeled to KiplePay. Acting as an intermediary, KiplePay efficiently manages the distribution of zakat to asnaf students through the e-wallet system.<sup>17</sup> This system ensures accurate targeting of recipients and increases the efficiency and speed of distribution. The list of student beneficiaries maintained by KiplePay further ensures that the aid reaches the intended beneficiaries effectively.

Another example is the Perlis Islamic Religious Council (MAIP), which started a program to distribute zakat funds directly into the bank accounts of 14,679 asnaf recipients in 2020. This step facilitates timely and safe assistance during the pandemic and helps reduce the risk of infection. The continued use of digital platforms for zakat distribution in Perlis shows the increasing reliance on technology to improve the efficiency and reach of the zakat program.

---

<sup>15</sup> Mahadi Ahmad, "An Empirical Study of the Challenges Facing Zakat and Waqf Institutions in Northern Nigeria," *ISRA International Journal of Islamic Finance* 11, no. 2 (2019), p. 338–356.

<sup>16</sup> Fathullah Asni, "Management of Zakat Collection And Distribution by MAIPS During Covid-19 In Perlis: A Literature Review," vol. 4, (2021), p. 1-15.

<sup>17</sup> Mohd Noor, Mohd Murshidi and Abdul Rahim, Ahmad Khilmy and Md Hussain, Muhammad Nasri. "Bantuan Zakat Kepada Asnaf Pelajar Menerusi Aplikasi E-Wallet (Kiplepay): Analisis di Universiti Utara Malaysia," *AZKA International Journal Of Zakat and Social Finance*, (2020), 1 (1), p. 102-115.

In Brunei Darussalam, the zakat fund distribution system is distinguished through its comprehensive and structured approach. It includes five main programs: social services, community welfare initiatives for economic development, education quality improvement programs, Islamic preaching programs, and aid for converts.<sup>18</sup> These programs, financed directly by accumulated zakat funds, reflect the country's commitment to address the various needs of society. The focus of the administration of this zakat fund is the principle upheld by the Sultan of Brunei Darussalam, which emphasizes the prompt and appropriate distribution of zakat, especially to people experiencing poverty and *gharimin* (those in debt). This principle emphasizes the importance of timely assistance to those most in need, ensuring that the benefits of zakat are felt immediately and effectively.

Their centralized nature characterizes the governance and management of zakat in Brunei Darussalam. The Brunei Islamic Religious Council (MUIB) is entrusted with the responsibility of managing zakat under the direct supervision of the government.<sup>19</sup> This centralization ensures a unified and coordinated approach to zakat administration, eliminating the presence of independent institutions that manage zakat funds in the country. The distribution of zakat in Brunei is diverse, meeting various needs through various forms of assistance such as provision of basic food supplies, monthly cash assistance, capital for business equipment, and immediate support during natural disasters or emergencies. In addition, special assistance such as Hari Raya assistance, end-of-year support for schooling expenses, Hajj expenses for converts, and medical treatment assistance are also provided. Furthermore, zakat funds support converts through various means, such as specialized guidance courses, uniforms, and school supplies. Help is also extended to *musafir* travelers who face financial difficulties, as well as support for house construction, repairs, rentals, and assistance to *gharimin*.

In Nigeria, the distribution of zakat aid is facilitated through two main channels: private individuals and competent bodies, which include both government and non-government agencies. This two-pronged system enables various zakat distribution mechanisms, meeting the needs of various groups of *asnaf*. Private individuals play an essential role in the zakat system by channeling aid directly to *asnaf*. This direct approach ensures immediate and personal assistance to those in need, reflecting the practice of zakat at the grassroots level. On the other hand, authoritative bodies such as government and non-government agencies distribute zakat systematically based on the assessed needs of *asnaf*. This structured approach allows for a broader and more orderly distribution of

---

<sup>18</sup> Mohamed Sharif Bashir, Nurul Nabilah, and Haji Ali, "Analysis Of Zakat Management In Brunei Darussalam," *IJMS*, vol. 19, (2012),

<sup>19</sup> Rose Binti Abdullah, "Zakat Management In Brunei Darussalam: A Case Study," Seventh International Conference, The Tawhidi Epistemology: Zakat and Waqf Economy, Bangi (2010).



zakat funds and goods. In terms of distribution methods, Nigeria uses four main methods; however, notably, none of these involve digital distribution. The first method directly distributes cash to *asnaf*, in which they provide immediate financial assistance to meet various needs. The second method involves using checks for zakat payment, offering a secure and documented transaction means. Nigeria's third method of zakat distribution is particularly notable for its focus on health care. Zakat funds are channeled to hospital management to purchase medicines and medical equipment, further contributing directly to the health and well-being of *Asnaf*. Finally, the fourth method involves using farm produce to pay zakat and distributing it to *asnaf*. Despite the lack of digital methods, this multifaceted approach to zakat distribution in Nigeria demonstrates the suitability of zakat practice to local contexts and needs. It reflects a comprehensive system that provides financial assistance and addresses the essential health care and livelihood needs of *asnaf*.

#### c) Zakat Application Process and Digital Transformation

When we delve into the field of technological advancement in Islamic financial practices, there is a significant shift from traditional to digital methods in managing zakat applications. In the Malaysian context, the integration of digital technology into the zakat application process is exemplified by three pioneering institutions: Kedah State Zakat Board (LZKN), Terengganu Council of Islamic Religion and Malay Customs (MAIDAM) with its Zakat Application System, and *Asnaf Prihatin* by Selangor Zakat Board (LZS). LZKN is at the forefront of advancing digital facilities in zakat management. LZKN is developing the ZoT application, a digital platform that allows the *asnaf* to check their application approval without visiting the zakat office. This innovation will significantly streamline the zakat application process, reducing time and travel expenses for applicants, hence improving the overall efficiency and accessibility of zakat distribution.<sup>20</sup> All three zakat institutions have online platforms that offer a streamlined process for *asnaf* to apply for various types of zakat assistance, including monthly subsistence, medical expenses, mosque support, education assistance, and mulled assistance. In addition, both LZKN and LZS allow applicants not only to submit their zakat application online but also to track the status of their applications. This digital interface goes beyond application processing, offering additional functions such as zakat payment and record keeping for individuals and corporate contributors. Meanwhile, other states such as Penang, Perak, and Negeri Sembilan still practice a more conventional procedure, mandating the use of certain forms. This application must be

---

<sup>20</sup> Farah Nadirah Abdul Manan, et. al., "Pendigitalan Operasi Kutipan Dan Agihan Zakat Dalam Mencapai Matlamat Pembangunan Mampan (Digitization of Zakat Collection and Distribution Operations in Achieving Sustainable Development Goals)," vol. 3, (2021), p. 1-23.

substantiated with supporting documents that confirm the applicant's eligibility identity card, divorce certificate, spouse's death certificate, and relevant financial information. The submission of insufficient or unclear forms or the absence of required documents may cause delays or rejection of applications, thereby affecting the efficiency of the zakat application process.

In Brunei Darussalam, the zakat application process is evolving with the integration of digital technology, reflecting the shift towards modernization and enhanced accessibility.<sup>21</sup> The Islamic Religious Council of Brunei (MUIB) played an essential role in this transformation, facilitating an online zakat application and documentation submission platform. This digital approach streamlines the assessment process, enabling faster and more efficient application processing. It also enables virtual interviews and consultations, increasing convenience for applicants and officials. In addition, applicants are constantly informed through electronic notifications about the status of their application. The potential for digital distribution of zakat, such as direct bank transfers or e-wallets, is also being explored, promising a faster and safer withdrawal of funds. This digitization improves data management and policy analysis and requires increased public awareness and digital literacy efforts. Overall, this digital transformation in Brunei's zakat system signifies a commitment to leveraging technology for greater efficiency, transparency, and accessibility in Islamic social welfare practices.

In Nigeria, the zakat application process is manual, and there is no digital counterpart. Applications are channeled mainly through four main entities: government zakat agencies, Islamic organizations prevalent in various areas, village or community leaders, and the Islamic Medical Association, the latter of which is dedicated to requests for medical assistance. This multi-channel approach ensures accessibility across different segments and regions of society. Once the application is submitted, it will go through a thorough screening process conducted by the respective zakat center. This process often includes an interview session led by the zakat distribution committee, which is important in assessing the applicant's eligibility and need for assistance. In addition to the interview, the zakat officer is assigned to conduct a site visit to the applicant's residence. These visits play an important role in assessing the need for assistance and involve surveys in the applicant's neighborhood to verify the claim's validity. A unique aspect of the zakat distribution process in Nigeria, especially in the case of enormous demand, is the implementation of a lottery (raffle) system. This method is used when eligible applicants exceed the available zakat funds. In such a scenario, a draw determines the recipient of zakat, ensuring a fair and random allocation of scarce resources.

---

<sup>21</sup> Kamaru Salam Yusof et al., "Digital Payment of Zakat: Community Perceptions and Prospects in Brunei," *Borneo International Journal EISSN* 6 No. 2, (2023), p. 1-7.

## d) Challenges in Digitalizing Zakat Application Process

Table 1 provides a comprehensive overview of the zakat information system used in various states in Malaysia. This table highlights the proud trend towards digitization in zakat administration, with every institution implementing at least one digital system to manage zakat affairs. Additionally, some institutions have adopted all three forms of digital systems, exhibiting a robust digital presence in their zakat operations. Despite this progress, most zakat institutions still rely heavily on traditional methods such as the use of a softcopy application form (PDF), which must be manually submitted to the zakat counter. However, some institutions improve this process by providing digital services such as the Asnaf Assistance Review System (MAIK), the Asnaf Application Review System (MAIPs), and the Asnaf Assistance Review System (MAINS), which allow applicants to check the status of their application online. The positive response and increased demand for this digital zakat service, as evidenced by user feedback, underscores its growing acceptance and effectiveness. Improved data management, a key benefit of this digital transition, enables more accurate tracking and analysis of zakat funds and beneficiaries. This improved data oversight, coupled with ongoing efforts to develop and expand digital offerings, significantly improves the service provided to asnaf. It not only streamlines accessibility and efficiency but also ensures a more equitable and transparent distribution of zakat.

**Table 1: Zakat Information System at State Zakat Institutions**

No	State/ Method	Zakat Online	Internet Banking	Smartphone Application
1	Federal Territory Zakat Collection Centre (PPZ-MAIWP)	/	/	/
2	Selangor Zakat Board (LZS)	/	/	/
3	Perak Islamic Religious Council & Malay Customs (MAIPK)	/	/	X
4	Penang Zakat (ZPP)	/	/	/
5	Kedah State Zakat Board (LZNK)	/	/	/
6	Council of Islamic Religion & Malay Customs of Perlis (MAIPs)	/	/	X
7	Council of Islamic Religion and Malay Customs of Kelantan (MAIK)	/	/	/ (business zakat only)
8	Terengganu Council of Islamic Religion and Malay Customs (MAIDAM)	/	/	/

9	Pahang Zakat Collection Centre (PKZP)	/	/	X
10	Johor State Islamic Religious Council (MAIJ)	/	/	X
11	Negeri Sembilan Islamic Religious Council (MAINS)	/	/	X
12	Malacca Zakat (PZM)	/	/	X
13	Tabung Baitulmal Sarawak (TBS)	/	/	/
14	Sabah Zakat Fitrah Body (BZF)	/	/	X

Source: *State Islamic Religious Council and State Zakat Institute* (2023).

In the context of Brunei Darussalam, the Islamic Religious Council of Brunei (MUIB) is experiencing a unique situation in its zakat administration, particularly about digital zakat collection. Regarding the distribution of zakat, Brunei Darussalam adheres to the established guidelines, ensuring a systematic and transparent process. Funds are channeled directly into the recipient's bank account, which marks a significant shift away from traditional face-to-face cash-based distribution. This evolution in distribution methods underlines the success of MUIB in adapting to a more modern and efficient system. The smooth nature of Brunei's transition to a computerized zakat system can partly be attributed to the country's economic status. Since Brunei is not characterized as a low-income country, it will likely have access to the resources and infrastructure needed to support such a digital transformation. This advantage has facilitated the smooth digitization of the zakat system, ensuring that the collection and distribution of zakat funds remains effective and in line with contemporary technological advances.

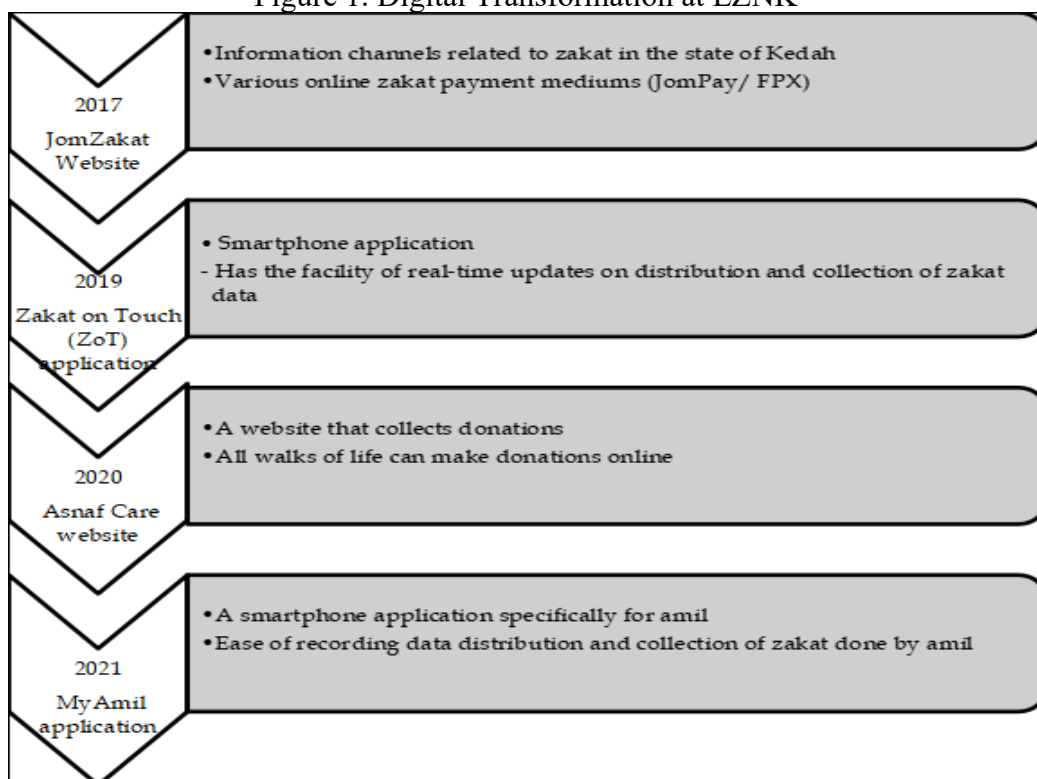
In Nigeria, zakat administration is challenged by several issues, including the unequal allocation of funds between various beneficiary groups, such as young entrepreneurs and people experiencing poverty, and a passive approach by zakat institutions, which rely heavily on voluntary contributions. These issues cause many zakat payers to freely distribute zakat outside the formal system, potentially diverting funds from those most in need. Furthermore, administrative constraints such as lack of trained staff, insufficient digitization, and lack of funding hinder zakat offices' efficiency in collection and distribution. On the other hand, private zakat distribution in Nigeria suffers from unsystematic and ill-informed practices, with some individuals mistakenly thinking that simply sharing food is sufficient as zakat payment or distributing zakat without adhering to Islamic guidelines, failing to support the asnaf adequately. Meanwhile, the authoritative body's structured approach, addressing current education, health, and business needs, highlights the gap between formal and private distribution, emphasizing the need for a more comprehensive and informed zakat management strategy.

### Digitizing Zakat Distribution in Kedah, Malaysia

This study's discourse of analysis is divided into four sections, each addressing critical dimensions of zakat management in the digital era. First, we delve into the evolution and progress of online zakat management systems, tracing the trail of technology integration. Second, to provide an overview of the contemporary landscape, we discuss an in-depth exploration of the current use of technology tools and platforms in administering zakat applications. Next, the third segment offers a critical assessment of the zakat application process that includes an assessment of both the competencies gained and the challenges faced, hence portraying a holistic picture of the influence of technology on zakat administration. Finally, this study concludes with an analysis of the strategic planning and readiness of the LZNK in empowering and optimizing their zakat management system for the digital future. This section examines the current state of readiness and envisions potential roadmaps and initiatives that LZNK can undertake to transition smoothly to a more digitally savvy entity, thereby ensuring sustainable and effective zakat application management in an evolving technological landscape.

#### 1. Evolution of Online Zakat Management in Kedah

Figure 1. Digital Transformation at LZNK



Source: LZNK portal

Figure 1 illustrates the digital transformation implemented by the LZNK through the development of four digital platforms. This technological leap includes two websites, Jom Zakat and Asnaf Care, along with two smart applications, Zakat on Touch (ZoT) and MyAmil. ZoT is designed to meet the needs of the masses, while MyAmil is explicitly designed for amil (zakat collectors). LZNK's digital journey in zakat management started with the Jom Zakat portal. This system represents an integrated digital platform that facilitates individuals and employers in fulfilling their zakat obligations. It offers various services, including accurate zakat calculation, payment options, and salary deduction facilities. Let Zakat stand out because it is versatile, supporting payment for various zakat categories such as savings, stocks, business, gold, and rice. The payment process is streamlined through the FPX or JomPay channels, including three simple steps: bank selection, zakat intention statement, and payment execution. After the success of the Jom Zakat portal, LZNK further expanded its digital footprint in zakat management by introducing the Zakat on Touch (ZoT) application. This initiative emphasizes LZNK's commitment to improving the accessibility and efficiency of zakat administration through technological innovation, offering user-friendly and comprehensive digital solutions for zakat contributors and collectors. One of the informants explained that in 2019, the use of the ZoT application started with access on Android smartphones and then continued to iOS. Several sections such as application, distribution and payment are provided in the application for user reference.<sup>22</sup>

The ZoT application represents a significant improvement over the Jom Zakat system, offering users a range of enhanced features. A notable improvement is the provision of real-time updates, keeping users informed of the latest developments in zakat distribution and collection. To access this feature, users can download the ZoT app to their smartphone and create a personalized account. One of the critical functions of ZoT is its ability to provide users with up-to-date information on current zakat collection and distribution, including detailed records of zakat aid recipients. This up-to-date information is a significant progress in transparency and accessibility for zakat management. Moreover, the app excels in delivering data with incredible clarity. It comprehensively lists over 500 mosques throughout Kedah, complete with GPS coordinates (latitude and longitude), thus facilitating easy navigation for users to the mosque location they want. In addition to geographic data, the application also includes information about distribution assistants in each mosque, along with specific data on the distribution and collection of zakat activities of the mosques. The level of detailed information and ease of access provided by ZoT improves user experience and reflects a commitment to leveraging technology for more efficient, transparent, and accessible zakat management.

---

<sup>22</sup> Interview with Informant 2, 2024.

The ZoT application not only streamlines the zakat management process but also helps the poor, especially in accessing resources such as food banks. The application includes a feature that allows asnaf to find mosques that offer food bank facilities, which are designed specifically for the poor and needy. In addition, it facilitates the process of zakat payers who want to contribute directly to these mosques. Beyond this function, ZoT extends its utility by allowing users to report asnaf known to be in need directly through the application, enabling immediate action by LZNK without the need for a visit to the zakat office. This level of engagement and accessibility shows the significant progress achieved by LZNK in the digital management of zakat, not only showcasing effective administration but also strengthening transparency and accountability in managing zakat funds in Kedah. Furthermore, in response to the unprecedented challenges posed by the Covid-19 pandemic, LZNK demonstrated adaptability and innovation by developing a special portal dedicated to reporting and tracking the status of asnaf in need during the crisis. This proactive approach highlights LZNK's commitment to leverage technology for responsive and effective zakat management, even in challenging circumstances. The implementation of this digital solution shows a proud transformation in zakat administration, effectively addressing any concerns about the authority and transparency of LZNK's zakat fund management in Kedah.

Informant 2 further explained that Asnaf Care was introduced in 2020 to help asnaf affected by the Covid 19 chain at that time through a portal that can track the position of asnaf based on user reports. "Asnaf Care was introduced in 2020 to help asnaf affected by the Covid 19 chain at that time through a portal that can track the position of asnaf based on user reports. It also aims to encourage the community to donate and provide aid, especially food supplies that have been cut off because of the Movement Control Order from the government to curb the spread of the Covid 19 epidemic."<sup>23</sup>

The Asnaf Care website facilitates direct donations with a very accessible minimum donation of only RM 2.45. This platform serves as a channel to channel resources to Food Supply Centers (food banks) strategically located in 591 mosques throughout 12 districts in Kedah, functioning under the diligent supervision 624 amil assistant appointed by LZNK as designated Poor and Needy Food Supply Centers<sup>24</sup>. The foodbank required RM13.9 million to supply food to those in need. The donation was earmarked for the acquisition of nine essential foodstuffs: rice, cooking oil, sugar, sardines, various sauces, vermicelli, tea and biscuits, ensuring a balanced distribution of staple commodities. Donations made through Asnaf Care are eligible to be classified as income zakat, with LZNK issuing official receipts to donors for their contributions. This provides two

---

<sup>23</sup>Interview with Informant 2, 2024.

<sup>24</sup> LZNK, "Asnaf Care Untuk Foodbank LZNK," (2024), p. 34-45.

benefits fulfilling religious obligations for Muslim donors and offering an organized channel for philanthropic activity. For donors who are not required to pay zakat, this contribution is considered as a jariyah charity (perpetual charity), in line with the Islamic pillars of welfare and community welfare. The platform extends its embrace beyond the Muslim community, welcoming contributions from non-Muslim individuals. This inclusive approach supports the universal values of helping each other and compassion, across religious boundaries. The Asnaf Care portal, therefore, stands as a testament to LZNK's commitment to fostering a spirit of support and common good, leveraging technology to facilitate a streamlined, inclusive, and impactful charity experience.

The Asnaf Care project, which was initially conceptualized as a response mechanism during the Covid-19 pandemic, continues to be an inspiration of hope and support for those in need. It invites participation from all walks of life, embracing a universal call to help. What started primarily as a food aid initiative has now expanded the spectrum of its charitable offerings. Asnaf Care has diversified donation campaigns, including not only food aid but also cash vouchers, food distribution kits, charity coupons, and even special support such as monthly treatment assistance for dialysis patients at the Kedah Hemodialysis Zakat Center. Most importantly, this assistance is very affordable, with fees starting as low as RM 10 per unit. The Asnaf Care portal expands its functionality by providing users with real-time updates on the amount of food supply distribution and news on distribution programs to asnaf.<sup>25</sup> This feature is essential in ensuring transparency and accountability of the fundraising process, strengthening donor confidence and trust in the system.

In a strategic move to further strengthen online zakat management, LZNK has introduced a special application specifically for amil (zakat collectors) in Kedah. This initiative is an important step towards improving the efficiency and effectiveness of zakat collection and distribution, leveraging digital solutions to streamline processes and foster a more inclusive and transparent zakat management ecosystem. This continuous evolution in LZNK's approach underscores its commitment to harnessing technology for the betterment of zakat administration and the welfare of the wider community.

Another informant confirmed a new application called MyAmil, which only focuses on amil agents, has been drafted in 2022 and will be used in 2023. The MyAmil application was specially developed to function as an intermediary between LZNK and individuals, agencies or institutes appointed as amil by LZNK. This application is separated from ZoT to facilitate the difference in use

---

<sup>25</sup> Mohd Zuwairi Mat Saad, et.al., "Memperkasa Inovasi Pengurusan Bantuan Makanan Dengan Menggunakan Aplikasi Zakat on Touch (ZOT) Dalam Kalangan Penolong Amil Kedah: Isu Dan Cabaran," *AZKA International Journal of Zakat & Social Finance*, March 28, (2023), p. 155–174.



where ZoT is special for zakat payers and recipients, meanwhile MyAmil is special for the use of amils only.<sup>26</sup>

The innovative application developed for amils by LZNK significantly modernizes the zakat collection process. In this application, all data related to collections made by amils are stored securely in their individual MyAmil accounts. This feature enables direct monitoring by LZNK, streamlining supervision and ensuring transparency without physical interaction, which is especially beneficial for amils in remote locations from zakat offices. To further improve the integrity and credibility of the zakat collection process, each amil appointed by LZNK is provided with a smart card with their name and unique reference number. This card serves as an official confirmation of their appointment by LZNK. It also plays a vital role in protecting zakat payers, allowing them to verify the authenticity of amil through the LZNK website before making any payment. This measure effectively prevents fraudulent activities and strengthens trust in the zakat system. LZNK lists 370 officially appointed individual amils, providing an accessible reference for zakat payers.

In recent developments, LZNK has actively continued its cooperation with banking institutions in Malaysia to establish a monthly auto debit system. This initiative aims to simplify the zakat payment process for the people of Kedah, offering an easy, automated solution to meet their zakat obligations. The integration of such technology demonstrates LZNK's commitment to facilitate payment for zakat payers. It reflects ongoing efforts to improve the efficiency and accessibility of zakat administration in the digital era. Regarding this matter, informant 1 explained that currently, LZNK is having a networking with banking institutions we have them collaborate with us regarding the zakat system. One of the bank that we are approaching is Maybank.<sup>27</sup>

## **2. Technology Adoption in the Zakat Application Process**

The zakat distribution process under LZNK is strategically divided into two main categories: individual asnafs and small and medium industry (SME) asnafs. Both groups can apply for zakat assistance through LZNK, with application methods adapted to meet their different needs. For individual asnaf, LZNK has streamlined the application process by offering several online methods, including a dedicated portal. This portal organizes a variety of zakat aid application forms, meeting various needs such as the House Building Distribution Scheme and bursaries to further study in countries such as Egypt, Jordan, Indonesia, Morocco, and local universities in Malaysia. In order to facilitate a smooth and efficient application process, it is vital for applicants to thoroughly familiarize themselves with the prescribed application conditions and comply

---

<sup>26</sup> Interview with, Informan 4, 2024.

<sup>27</sup> Interveiw with Informant 1, 2024.

with the prescribed procedures. The fulfillment of prescribed requirements ensures that their application is processed without unnecessary delay.

The online application process requires submitting several supporting documents, which the applicant must upload at the time of application. The online application system is especially beneficial for young people living in urban areas, such as students and religious teachers. This demographic, typically more adept with smartphones, internet access, and basic tech savvy, finds online application systems particularly convenient and accessible<sup>28</sup>. LZNK's approach in dividing zakat distribution and streamlining the application process for different asnaf groups shows a thoughtful and efficient use of technology. It not only makes zakat aid more accessible but also ensures that it reaches the most deserving and relevant recipients in a timely and orderly manner.

Informant 5 said that for examples of individual asnaf applications, there are several groups of asnaf such as IPT students, the Fisabilillah group, and the help of religious teachers. All the following asnafs apply for zakat assistance completely online without the need to go to the office, and the method is found to be easier because the assistance is only one-off. In addition, most IPT students and religious teachers are from the younger generation who have a basic knowledge of the use of technology and the convenience of smartphones and internet services.<sup>29</sup>

In addressing the needs of the poor asnaf category, LZNK uses a hands-on approach to ensure effective aid delivery. Zakat officers assigned to various districts actively visit the settlements of prospective asnaf recipients to conduct on-site assessments. This proactive strategy is essential in understanding each asnaf's specific needs and circumstances, thus enabling more personalized and targeted assistance. During this visit, the zakat officer assisted the asnaf in several critical aspects of the application process. The process includes guidance in completing the application form, preparing the necessary supporting documents, and dealing with other related application matters. The direct involvement of such zakat officers facilitates the asnaf application process and ensures that the assistance provided is accurate and timely. In addition, LZNK utilizes community involvement as a key element in identifying asnaf in need. Community members play an essential role by reporting the status of asnaf through the Asnaf Care portal. This collaborative effort between LZNK and the community increases the reach and effectiveness of zakat distribution, ensuring aid is channeled to the most deserving individuals. By integrating community insights with its operational strategy, LZNK effectively broadens its impact, making zakat aid more inclusive and responsive to the diverse needs of the asnaf population.

---

<sup>28</sup> Ahmad Ridzuan bin Ahmad, "Persepsi Umat Islam Di Negeri Kedah Terhadap Kaedah Pembayaran Zakat Melalui perbankan Internet" (Universiti Utara Malaysia, 2013), <https://etd.uum.edu.my/5026/1/s810001.pdf>.

<sup>29</sup> Interview with, Informan 5, 2024.

To uphold the integrity and transparency of the zakat application process, LZNK implements a rigorous screening procedure for each submission. This critical step involves thoroughly verifying the documents' authenticity, thereby preventing issues related to document forgery or identity concealment. In cases of uncertainties or discrepancies in submitted documents, LZNK proactively contacts the applicant for clarification and revision, ensuring due diligence throughout the process. However, due to practical constraints such as limited time and staff resources, home visits by LZNK officials are reserved mainly for a select group of poor asnaf as the number of applications received by LZNK exceeds 20,000 each time the application opens. By focusing on the most vulnerable groups, LZNK strives to allocate its resources efficiently, ensuring that those in need receive immediate and direct assistance. This operational strategy reflects LZNK's commitment to balancing rigor in application screening with the pragmatic challenge of handling high application volumes. Despite logistical limitations, it underlines the organization's dedication to maintaining a transparent, fair, and effective zakat distribution system.

Informant 5 explained further there are also groups of asnaf, such as the hardcore poor, that require further investigation, which is a total of 10 people in each district where zakat officers will go to the field to the asnaf settlements to obtain supporting documents face-to-face as there are constraints in terms of internet access, smartphone facilities and even lack of knowledge the basics of using technology.<sup>30</sup>

For the IKS asnafs, LZNK has proactively established an Asnaf Development Unit dedicated to overseeing and fostering their development. This initiative is a strategic response to previous incidents where assistance was given to small business owners in equipment, such as ovens and lawnmowers, which was later resold for cash. Such incidents underscore the need for a more structured and vigilant approach to managing aid distribution. The Asnaf Development Unit operates with two focuses: ensuring aid reaches the targeted beneficiaries and monitoring the use of aid to prevent misuse. By closely tracking the progress and use of the resources provided, this unit aims to ensure that the support provided contributes to SMEs' sustainable growth and empowerment. The tracking procedure increases aid effectiveness and promotes accountability and responsible monitoring among recipients.

Informant 5 explained again As for IKS asnaf applications, applications are still carried out manually because the number of applications is less than individual asnafs, and often assistance is given in the form of equipment or business tools such as lawn machines and ovens. In addition, there is a Sahabat

---

<sup>30</sup> Interview with Informan 5, 2024.

Zakat Project where successful asnaf will contribute back by paying zakat and getting a Sahabat Zakat label to be placed on their products.<sup>31</sup>

In general, the use of technology in LZNK's application process is primarily open to individual asnafs, with IKS asnaf being the exception due to operational specifications. Although the online application system streamlines many processes, specific disadvantaged categories still require a manual application, reflecting operational constraints. Despite these limitations, LZNK's technological progress in zakat management is commendable and very advanced compared to other Malaysian states. This technological advancement includes the development of various portals and applications aimed at simplifying the process for both contributors and recipients of zakat, ensuring transparency in fund management. In particular, the real-time update feature on the ZoT application marks a significant change from previous practice, where such information was only available through annual financial reports. This evolution highlights LZNK's commitment to leveraging technology to improve efficiency, accessibility, and transparency in zakat administration.

### **3. Balancing the Scales: Dual Impact of Technology on Zakat Application Process**

In managing the zakat application process using technology, the LZNK faces a dual impact, which is beneficial and challenging. This two-sided phenomenon manifests itself in increasing operational efficiency and transparency and navigating the complexities and potential pitfalls associated with the use of technology. This alignment of impacts underscores the complex dynamics in modernizing faith-based financial practices, which require sophisticated understanding and strategic management to optimize benefits while mitigating inherent challenges. Below are illustrations of the positive consequences, juxtaposed with some negative ones. Among the positive impacts that can be seen from the use of this technology, we can build user trust and confidence in LZNK where data on distribution and collection of zakat funds can be accessed directly by users.<sup>32</sup>

E-Zakat represents a vital government initiative integrating internet applications to increase institutional competitiveness in zakat organizations. This online platform plays an essential role in improving service delivery, particularly in collecting and distributing zakat funds. Also, online platforms significantly reduce data management loss due to unintended/accidental loss/dissemination of data other than helping to increase the effectiveness of services<sup>33</sup>. This positive

---

<sup>31</sup> Interview with, Informan 5, 2024.

<sup>32</sup> Interview with, Informan 5, 2023.

<sup>33</sup> Wan Nur Azira Wan Mohamed Salleh, et.al., "Optimising Digital Technology in Managing Zakat," *International Journal of Academic Research in Business and Social Sciences* 12, no. 8 (2022).

outcome is evidenced by the substantial increase in zakat collection across Kedah, a rise of RM 10 million over the previous year in 2022. This upsurge in zakat collection is evidence of the growing public trust and confidence in zakat institutions. The e-Zakat platform leads to a higher inclination among individuals (who live within and outside Kedah) to fulfill their zakat obligations through LZNK. Enhancing this trend is the streamlining of payment methods and the broadening of payment channels provided by zakat institutions in Malaysia, which significantly augment the efficiency and attractiveness of these institutions. This can directly attract the interest of Kedah children who are outside the state to see directly where the distribution money is channeled from the zakat, they have paid to LZNK even though they are not in the state of Kedah. With the facility of real-time updates about LZNK's zakat distribution and collection, this also provides an opportunity for LZNK to build trust and increase the confidence of zakat payers towards them.<sup>34</sup>

The integration of digital technology in zakat administration not only streamlines the operations for zakat officers but also significantly eases the application process for zakat payers and applicants. This technological adaptation permits access to the system from any location, obviating the need for physical presence at Zakat offices. In scenarios where applications surge into the tens of thousands, digital processing markedly reduces the workload on officers at zakat centers, ensuring more practical and efficient handling of applications. This digital approach alleviates congestion and accelerates processing times, particularly during peak periods like Ramadan and December. Furthermore, the system developed by LZNK enhances data security and minimizes risks associated with paper-based methods, such as misplacement or a less organized filing system. Users can be assured of the confidentiality and safety of their data within this digitally fortified framework, contributing to a more reliable and streamlined Zakat management process.

This focus on advanced digital solutions and data security by LZNK aligns with broader national initiatives, as evidenced by the Malaysian government's commitment to embrace advanced technology in its administrative functions. The government, through the Ministry of Communications and Multimedia Malaysia (KKMM), in collaboration with the Malaysian Administration and Management Planning Modernization Unit (MAMPU) and Malaysia Digital Economy Corporation (MDeC), has pioneered the implementation of Big Data Analytic (BDA) since 2013. The accessibility of data founded by LZNK can make things easier, simpler, and more efficient in line with the development of the global digital ecosystem<sup>35</sup> Therefore, it is imperative that zakat institutions actively

---

<sup>34</sup> Interview with, Informan 5, 2023.

<sup>35</sup> Digitalisasi Sistem Pengurusan Zakat di Malaysia et al., "Digitalisasi Sistem Pengurusan Zakat Di Malaysia: Potensi Dan Cabaran," 2021.

participate in this initiative to develop a more structured and comprehensive zakat database. The caliber of zakat administration and services can be improved by facilitating quick, accurate, and efficient analysis of information and data related to zakat contributions and disbursements. From LZNK's point of view, one of the positive impacts for us when using technology in zakat management is that there is no dropout of data because the data continues to enter the system without being entered manually.<sup>36</sup>

Furthermore, the emotional well-being of zakat officials is essential. In a scenario without technological facilities, individuals must visit zakat offices for their zakat-related concerns, inevitably leading to direct interaction between officials and the public. During this face-to-face communication, there are instances where public members, often without prior inquiry or understanding, express their frustrations directly to zakat officials. Such encounters can adversely affect the emotional state of officers as they struggle with issues beyond their control. As a result, there is a growing preference among zakat officials to limit direct customer interaction to certain specific situations. Prioritizing the emotional welfare of zakat officers is essential in maintaining their work efficiency and a harmonious and productive workplace atmosphere. One of the advantages of digital zakat management is that it allows zakat officers to remain emotionally calmer, as they do not have to interact with users face-to-face at the counter. Also, fewer open counters can save time, as all zakat-related procedures can be conducted online.<sup>37</sup>

Despite the positive effects of digitalizing zakat management, there are also adverse effects. For instance, there are internal risks to the integrity of user data, including unauthorized modification, loss due to malware (such as viruses), and data theft. The breach may arise from hacking activities by zakat officials or external entities. There is a possibility that there is a threat to the user data found in the LZNK system where insiders who have access to the data can hack into this system, causing the leakage of user information. However, this issue has never happened again, but we do not rule out the possibility of it happening due to the advantage of access that the staff and officers of LZNK have.<sup>38</sup>

### **3. LZNK's Strategy for Enhancing Digital Zakat Management**

LZNK is currently implementing four strategic initiatives in various stages of development and planning to improve its existing management system. These initiatives include transitioning to a paperless system, upgrading the quality of the internet, starting a digital technology literacy program, and adding an online Zakat platform. In line with the goal of environmental sustainability, LZNK's transition

---

<sup>36</sup> Interview with, Informan 4, 2023.

<sup>37</sup> Interview with, Informan 1, 2023.

<sup>38</sup> Interview with, Informan 4, 2023.

towards a paperless policy leverages digital technology to realize this objective. This digital transformation enables zakat institutions to offer more efficient services to their stakeholders and facilitates a more straightforward and hassle-free zakat payment process for donors. Likewise, applicants can apply and monitor their zakat status online using a standardized format. Furthermore, these technological advancements eliminate the need to complete physical forms, as an online application system replaces them. As a result, the review and distribution of zakat is accelerated, becoming faster, more effective, and more systematic, with all processes accessible at one's fingertips. LZNK is planning towards a paperless system to save expenses.<sup>39</sup>

In order to facilitate smoother zakat administration in Kedah through technological methods, LZNK proactively formulated a strategy to improve internet connectivity in regions identified as having suboptimal internet coverage. Reliable internet access is essential for the effective execution of online zakat transactions. Furthermore, acknowledging the gap in technological knowledge among certain groups of asnaf, especially the poor and the elderly, LZNK is committed to educating the Kedah community about the use of technology. This initiative is significant considering the increasing trend of internet usage in Malaysia, which will reach 17.7 million users in 2022, accounting for 61% of the total population.<sup>40</sup> This upward trend is driven by the increasing popularity of social media among the youth, which increases their technological literacy and aligns with technological capabilities, making it accessible to various segments of society.

A study conducted in the state of Kedah found that 20% of respondents were regular internet users, a significant increase from only 6.5% recorded two years earlier.<sup>41</sup> This trend of increasing internet usage is expected to continue in the following years. Correspondingly, along with the advancement of information technology, there is an urgent need to modernize and revitalize the online zakat management system to align with users' needs and preferences. Furthermore, ongoing promotional efforts and zakat awareness campaigns have been identified as necessary for institutions to increase zakat collection. Research by Adibah (2016) underlines that higher awareness of zakat significantly increases compliance among potential payers.<sup>42</sup> This principle of increasing promotion and awareness applies to zakat centers that wish to integrate technology into their zakat management practices.

---

<sup>39</sup> Interview with, Informan 4, 2023.

<sup>40</sup> "Internet Users Survey 2022 Suruhanjaya Komunikasi Dan Multimedia Malaysia Malaysian Communications And Multimedia Commission," n.d., <http://www.mcmc.gov.my>.

<sup>41</sup> "Internet Users Survey 2022 Suruhanjaya Komunikasi Dan Multimedia Malaysia Malaysian Communications And Multimedia Commission."

<sup>42</sup> Adibah and A B Wahab, "Faktor Yang Mempengaruhi Pembayaran Zakat Di Syarikat Tersenarai Awam Di Malaysia," (2016).

## **Conclusion**

The study results indicate a firm commitment from LZNK towards innovating and implementing various initiatives to encourage the Muslim community to fulfill their zakat responsibilities. The diverse array of zakat platforms developed is evidence of LZNK's dedication to catering to the specific needs and preferences of the Kedah populace. While acknowledging that specific weaknesses and challenges need to be addressed, the significant benefits gained from online zakat management underscore its importance as an essential component in LZNK's ongoing efforts to refine its existing system. In the context of rapidly developing technology, Islamic financial institutions, especially zakat bodies, need to develop various platforms and facilities that suit the demands of users. Zakat institutions should lead in creating a well-maintained, efficient system, demonstrating that a fully Islamic entity can evolve along with technological advancements. This approach serves as a benchmark for LZNK and as a guiding framework for other Islamic institutions, primarily zakat entities in other regions, to enhance their service offerings. The successful implementation of LZNK's digital zakat process, particularly in collection, through the ZoT platform, marks an important milestone. This achievement not only highlights the LZNK's commitment, but also the potential to expand digitization to zakat distribution, such as streamlining the *asnaf's* application process. The dedication and efficiency of LZNK staff, especially in the information technology department, in designing various online zakat services, is a benchmark for continuous improvement in service quality. In addition, the encouraging acceptance of the ZoT application by the people of Kedah, domestically and abroad, underlines the effectiveness of the system and its widespread acceptance. An important aspect of this digital transition is the focus on expanding digital zakat services to include efficient and user-friendly mechanisms for zakat disbursement, ensuring that the benefits of technology reach both zakat payers and recipients. This study contributes significantly to the body of knowledge fourfold. First, it reveals the zakat management model used in various countries, serving as a valuable benchmark and indicator for the development of digital zakat. Second, it underlines the importance and necessity of the growing use of technology in Malaysia, mainly focusing on the competency of the zakat institutions in financial technology via a case study of LZNK. Third, the findings of this study discover that the positive impacts of digital zakat in the state of Kedah outweigh its negative implications. Finally, some recommended strategies for future improvement are highlighted, such as improving the quality of internet access, implementing digital literacy programs, and developing an online Zakat platform.



## Acknowledgment

This study was funded by the Sheikh Abdullah Fahim Chair Research Grant – (Project Code: RH-2021-007) collaborated with Lembaga Zakat Negeri Kedah. This paper was also supported by the Ministry of Higher Education Malaysia through the award of the Fundamental Research Grant Scheme (FRGS): FRGS/1/2021/SS01/UKM/02/2. May this paper will benefit everyone who reads especially the industry and nation and may it be a useful reference in the future.

## References

### Journals and Books

- Abojeib, Moutaz, and Farrukh Habib. "Blockchain for Islamic Social Responsibility Institutions." In *Research Anthology on Blockchain Technology in Business, Healthcare, Education, and Government*. IGI Global, (2020). <https://doi.org/10.4018/978-1-7998-5351-0.ch061>.
- Achmad, Noor. "Peradaban Pengelolaan Zakat Di Dunia Dan Sejarah Zakat Di Indonesia." *Iqtisad: Reconstruction of Justice and Welfare for Indonesia* 9, no. 2 (December 31, 2022): 119. <https://doi.org/10.31942/iq.v9i2.7271>.
- Ahmad, Mahadi. "An Empirical Study of the Challenges Facing Zakat and Waqf Institutions in Northern Nigeria." *ISRA International Journal of Islamic Finance* 11, no. 2 (2019). <https://doi.org/10.1108/IJIF-04-2018-0044>.
- Ahmad Khilmy Bin, Abdul Rahim, Muhammad Nasri., "Zakat Distribution To Asnaf Students Via E-Wallet Application (Kiplepay): An Analysis At Universiti Utara Malaysia Bantuan Zakat Kepada Asnaf Pelajar Menerusi Aplikasi E-Wallet (Kiplepay): Analisis Di Universiti Utara Malaysia Mohd Murshidi Bin Mohd Noor (Corresponding Author)," n.d.
- Aisyah Abdul-Rahman, et.al., Technological Integration Within Zakat Institutions: A Comprehensive Review And Prospective Research Directions. *International Journal of Islamic Thought* (2023). <https://doi.org/10.24035/ijit.24.2023.268>
- Alsaawi, Ali. "A Critical Review of Qualitative Interviews." *European Journal of Business and Social Sciences*. Vol. 3, 2014.
- Asni, Fathullah. "Management of Zakat Collection And Distribution By Maips During Covid-19 In Perlis: A Literature Review." Vol. 4, 2021.
- Binti Abdullah, Rose. "Zakat Management In Brunei Darussalam: A Case Study," n.d.
- Binti, Adibah, and A B Wahab. "Faktor Yang Mempengaruhi Pembayaran Zakat Di Syarikat Terserai Awam Di Malaysia," 2016.
- Daniyal, Muhamad, et.al., "IJIBEC The Intention of Millennial Generation in Paying Zakat through Digital Payments International Journal of Islamic Business and Economics." *International Journal of Islamic Business and Economics (IJIBEC)* 5, no. 1 (2021). <https://doi.org/10.28918/ijib>.

- Hammad, Maya. "Overview of Zakat Practices around the World Standard-Nutzungsbedingungen," 2022. <https://hdl.handle.net/10419/265319>.
- Husain, Hukmiah, et.al., "Zakat and Empowerment of the Bajo Tribe Fishing Community in Bone, South Sulawesi: Collaboration between BAZNAS and the Ministry of Religion," *El-Usrah: Jurnal Hukum Keluarga* 7, No. 2 (2024). DOI: <http://dx.doi.org/10.22373/ujhk.v7i2.24961>.
- Ibrahim, Faisol. "Analisis Kaedah Bayaran Zakat Harta Institusi Zakat Di Malaysia." *JMFIR* 13, no. 2, (2016).
- "Internet Users Survey 2022 Suruhanjaya Komunikasi Dan Multimedia Malaysia Malaysian Communications and Multimedia Commission," n.d. <http://www.mcmc.gov.my>.
- LZNK. "AsnafCare Untuk Foodbank LZNK," 2024.
- Mat Saad, Mohd Zuwairi, et.al., "Memperkasa Inovasi Pengurusan Bantuan Makanan Dengan Menggunakan Aplikasi Zakat on Touch (ZOT) Dalam Kalangan Penolong Amil Kedah: Isu Dan Cabaran." *AZKA International Journal of Zakat & Social Finance*, (2023). <https://doi.org/10.51377/azjaf.vol4no1.146>.
- Mohamed Salleh, Wan Nur Azira Wan, et.al., "Optimising Digital Technology in Managing Zakat." *International Journal of Academic Research in Business and Social Sciences* 12, no. 8 (2022). <https://doi.org/10.6007/ijarbss/v12-i8/14355>.
- Nadirah Abdul Manan, Farah, et.al., "Pendigitalan Operasi Kutipan Dan Agihan Zakat Dalam Mencapai Matlamat Pembangunan Mampan (Digitization of Zakat Collection and Distribution Operations in Achieving Sustainable Development Goals)." 3, 2021. <http://myjms.mohe.gov.my/index.php/jdpg>.
- Nik Abdul Rahim Nik Abdul Ghani, et.al., "Analisis Hukum Penggunaan Dana Zakat Untuk Pembangunan Model Takaful Mikro," *Journal Of Contemporary Islamic Law* 3, No. 2 (2018).
- Ridzuan, Ahmad. "Persepsi Umat Islam Di Negeri Kedah Terhadap Kaedah Pembayaran Zakat Melalui Perbankan Internet." Universiti Utara Malaysia, (2013). <https://etd.uum.edu.my/5026/1/s810001.pdf>.
- Salam Bin Yusof, Kamaru, Muhammad Zaki Bin Haji Zaini, "Digital Payment of Zakat: Community Perceptions and Prospects in Brunei." *Borneo International Journal EISSN*. Vol. 6.
- Sharif Bashir, Mohamed, Nurul Nabilah, and Haji Ali. "Analysis of Zakat Management In Brunei Darussalam." *IJMS*. 19, 2012.
- Sistem Pengurusan Zakat di Malaysia, Digitalisasi, Potensi dan Cabaran Khairul Azhar Meerangani, Muhammad Taufik Md Sharipp, Muhammad Ikhlas Rosele, Mohammad Fahmi Abdul Hamid, Abdul Qayuum Abdul Razak, Khairul Azhar Meerangani, Pensyarah Kanan, and Akademi Pengajian

- Islam Kontemporari. "Digitalisasi Sistem Pengurusan Zakat Di Malaysia: Potensi Dan Cabaran," 2021.
- Sri Wahyu Sakina Ahmad Sanusi, et.al., "Wakaf Zurri: Instrumen Pengurusan Harta Dalam Pembangunan Tamadun Islam." *Journal of Al-Tamaddun*. (2021). <https://doi.org/10.22452/JAT.vol16no1.10>.
- Sri Wahyu Sakina Ahmad Sanusi, "The Management and Implementation of Zurri Waqf In Malaysian Waqf Institution," *Jurnal Pengurusan* (2023). <https://doi.org/10.17576/pengurusan-2023-67-04>.
- Utami, Pertiwi, et.al., "The Effect Digitalization Zakat Payment Against Potential of Zakat Acceptance in National Amil Zakat Agency." *Iqtishadia* 13, no. 2 (2020). <https://doi.org/10.21043/iqtishadia.v13i2.7809>.
- Wahbah Al-Zuhaili. *Fiqh & Perundangan Islam, Jilid II*. Vol. 2. Dewan Bahasa dan Pustaka, 1994.
- Willya, Evra, et.al., "The Role of Information Technology in Optimizing Zakat Management Article Info Abstract." *West Science Islamic Studies*. Vol. 1, 2023.
- Zahri, Mohd. 'Adli, et.al., "Microfinancing from the Zakat Fund in Baitul Mal Aceh and the Readiness of Malaysia's Asnaf Entrepreneurs," *Samarah: Jurnal Hukum Keluarga dan Hukum Islam* 7, No. 1 (2023). DOI: <http://dx.doi.org/10.22373/sjhk.v7i1.16012>.

**Interviews:**

- Interview with Informan 1, 2023.
- Interview with Informan 2, 2023.
- Interview with Informan 3, 2023.
- Interview with Informan 4, 2023.
- Interview with Informan 5, 2023.
- Interview with Informan 6, 2023.
- Interview with Informan 7, 2023.