OPTIMISING ZAKAT COLLECTION: EXPLORATIVE BENCHMARKING AMONG SELECTED AUTHORITIES IN PENINSULAR MALAYSIA

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ABSTRACT

While most articles and studies are focused on zakat collection per se, this study would like to explore the optimality of zakat collection rate, albeit actual zakat collection rate versus potential zakat collection rate. Issues such as awareness, education and accountability are among the key obstacles that hinders the optimization of zakat collection rate. This study is explorative in nature. Data was collected from zakat institutions and Department of Statistics Malaysia, which are all publicly available, covering 2005 to 2022. Proxies were used for estimation of potential zakat collection rate, namely fraction of gross domestic product (GDP) and Muslim population. A formula was also used to complete this process. It was found that Kelantan is the

state with the highest actual collection rate, followed by Kuala Lumpur and Terengganu. Issues of education, awareness and accountability is also present in this study; hence, better promotion of zakat and accountability of zakat institutions are required to optimize the zakat collection rate in Malaysia.

Keywords: zakat potential, awareness, accountability, zakat optimality.

1. INTRODUCTION

Optimizing zakat collection rate offers a viable solution to reduce over-reliance on government subsidies, particularly among the Muslim population (Fathonih, 2019). While subsidies and zakat have historically supported the socio-economic upliftment of Muslims, they have also contributed to a dependency mindset that undermines long-term self-sufficiency, especially when zakat aids are only sufficient to support basic needs, and not empowerment (Hamid, Dahaman@dahlan & Rofie, 2023). Zakat, when positioned as a complementary mechanism, can address systemic inequalities and foster sustainable empowerment through efficient and innovative distribution. This aligns with the study by Abid & Shafiai (2017), which highlights the potential of *waqf*-based crowdfunding in addressing the financial challenges faced by the B40 group in Malaysia. By integrating zakat with innovative financial mechanisms, a more robust and self-reliant economic framework can be established for vulnerable communities.

In Malaysia, each states manage their own zakat funds (Yusuf et al, 2012). This led to variations in both collection and distribution performance, as can be observed in the findings. The variance in performance among Zakat authorities highlights gaps and opportunities. The findings show that there are states that excel in public outreach and transparency, fostering trust and encouraging higher compliance, such as consistent annual report publication (Rejab, Wahid & Yaacob, 2023). Other states lag due to administrative bottlenecks or awareness of zakat (Muhammad et al., 2024). Despite these differences, Malaysia's overall zakat collection rate has shown consistent growth, yet it remains significantly below its potential. Suboptimal zakat institutions' performance can result in eligible asnaf being excluded from receiving aid. When zakat management is inefficient, it will affect the asnafs' capability to grow out of their adverse situation (Rosele et al., 2024). This gap

stems from factors such as a lack of awareness, education and accountability in certain regions.

The differences in zakat collection optimality between states underscore the need for harmonization and best practices. Hence, this explorative research aims to study the zakat collection rate in Malaysia, specifically to analyze the collection channels of zakat, assess the potential zakat collection rate and evaluate the operational effectiveness of zakat institutions through their published reports to identify strengths and weaknesses for improvement and replications.

2. LITERATURE REVIEW

Zakat is seen as one of the tools which have positive economic impacts. Many studies have been undertaken by scholars in investigating the impact of zakat on the economy. According to Pratama (2023), in 2018, it was found that the performance of zakat institutions and the impacts of their distributions on zakat beneficiaries have significantly and negatively impacted multidimensional poverty. Moreover, according to Karuni (2020), they have found that zakat has a positive and significant impact on the components of Human Development Index (HDI) in Indonesia. Furthermore, Siswantoro & Ikhwan (2024) have found that zakat, infaq, and sadaqah have a positive and significant impact on Human Development Index (HDI) for 34 provinces in Indonesia for year 2020 to 2022. Plus, according to Jedidia & Guerbouj (2021), in their study on 8 Islamic countries from period 2004 to 2017, they have found that increased zakat distribution leads to economic growth.

Due to the focus of this study on Malaysia, a deeper dive into the structure of zakat institutions in Malaysia is necessary. In Malaysia, zakat collection operates under state jurisdiction rather than federal control, this is based on the Malaysia constitutional framework, where Islamic matters fall under the purview of individual states (Yusuf et al, 2012). This decentralized system has created diverse performances among zakat authorities, influenced by their respective administrative efficiency, strategies, and public engagement (Migdad, 2019).

Furthermore, according to Migdad (2019), it can be observed that zakat value in Malaysia has been growing tremendously throughout the years from year 1991 to 2014, where it was RM61 million then and it grew to RM2,457 million. Such rapid growth of zakat signifies the importance of the underlying causes of the collection of zakat, which is the driver of zakat in any country. As without collection of zakat, it is impossible to distribute it.

While Malaysia has experienced rapid growth, our neighboring country, Indonesia has another concern, the optimality of zakat collection rate. According to BAZNAS (2025), they have stated that the national zakat collection was IDR22,43 trillion, while the potential zakat collection stands at IDR327 trillion. The actual zakat collected is only 6.86% of the potential zakat that could be collected. Furthermore, according to Firdaus et al. (2012) estimated that the professional (household), corporate and savings zakat to be at IDR217 trillion, equivalent to 3.4% of Indonesia's GDP. The huge difference present between the actual and potential zakat collection gives motivation to study the same in Malaysia, as studies in this field is scarce.

One of the contributing factors as to why zakat has yet to reach its full potential in collection rate is accountability, especially lack of transparency. According to Ardani & Pujiyono (2021), in their study, they have found that reporting seems to be one of the main issues in Indonesia's zakat landscape. It was found that many zakat institutions have not reported their zakat activities, both collection and distribution. This is against the laws and regulations established by the authorities where zakat institutions must submit a report to their local amil zakat agency at minimum once a year. Furthermore, a study conducted by Taha et al. (2017) has found that there are limited disclosures on zakat collection and distribution by the zakat institutions in Malaysia, where several states have not made such information available publicly. One example found by the authors was surpluses of zakat collection in 2007 and 2008, where it was more than RM50 million by a certain zakat institution, which no explanation was given regarding this surplus. Moreover, according to Thani et al., (2024), they have found sufficient and relevant information is required to improve the collection rate of zakat in the studied area, Seremban, Negeri Sembilan. In addition, a study conducted by Rejab, Wahid & Yaacob (2023) found that accountability of the zakat institutions is an essential element of governance that requires further attention. Emphasizing details in financial reporting is crucial in boosting the trust of the people in the zakat

institutions. Similarly, according to Sapingi, Nelson & Obid (2023), their study found that accountability is not demonstrated by the zakat institutions in Malaysia. The inadequate information, poor disclosure of zakat surplus and inconsistencies of report publication between states are among the key elements that require further focus by the zakat institutions. The findings of these studies show the extent of the accountability issue persists in the zakat institutions throughout the years. Without heightened transparency, zakat collection rate is unlikely to improve in the years to come.

Another issue hindering optimal zakat collection rate is the lack of awareness and knowledge regarding zakat. According to Ardani & Pujiyono (2021), lack of understanding of zakat is one of the major findings in their study. Research published by Puskas BAZNAS found that the literacy level of the community regarding zakat is only at 67.14%, and the remaining 32.86% are still clueless regarding zakat, leading to non-payment of zakat. Respondents stated that due to imposition of taxes, zakat no longer needed to be paid. Furthermore, Yaacob et al. (2020) stated that knowledge and understanding regarding zakat is crucial in ensuring payment of zakat from the working population in Malaysia. This is evident with the inability of the majority of the working population to calculate the zakat they need to pay. Plus, a fraction of the working population is unaware of the type of income to be included in zakat on income such as bonus and honorarium. Plus, a study conducted by Muhammad et al., (2024) found that the knowledge factor significantly and positively affects the collection rate of zakat in Terengganu. Similarly, Ali et al., (2018) found that the zakat collection rate on salary depends on the knowledge of the people regarding the topic. Additionally, according to Rosele et al., (2024), they have found that education and awareness regarding zakat has only been conducted on a small scale. Hence, a firm grasp and access to relevant information on zakat could improve the collection rate of zakat. These studies emphasize the importance of knowledge and awareness in improving the zakat collection optimality rate.

While most of the previous studies have focused on the importance of zakat and its socioeconomic impact in redistributing the wealth, limited focus has been given to the zakat collection rate optimality. There are few studies which have explored the potential zakat collection; however, these studies are mostly undertaken in the neighboring country, Indonesia. Hence, there is a gap in exploring the actual zakat collected rate and the potential zakat

collection rate in Malaysia where this study wishes to fill the gap. While this study is explorative in nature, breaking the ice type of study, it is hoped that this would pave the way for more meaningful and impactful studies in the future.

3. METHODOLOGY

The study covers 11 states in Malaysia, excluding Sabah, Sarawak and Perlis. Sabah and Sarawak were excluded due to the low number of Muslims in these states, as the number of Muslims are proxied by the number of Malay individuals in the state. As the number of Malays are low in these states, it does not accurately represent the number of Muslims, as Muslims could be of other ethnicities apart from Malays, especially in Sabah and Sarawak where there is diverse ethnicity. The number of Malays are used as proxies for number of Muslims due to the unavailability of data on the number of Muslims that is accessible by public. Hence, for the sake of accuracy, these two states are excluded. As for Perlis, the zakat authority has not published any annual report that is accessible by the public, hence the exclusion. As the objective of the study is to gauge the potential zakat collection rate in the states studied, proxies are used to establish a simple model to estimate the potential zakat collection in each state for each year. The proxies are as below:

1. Nominal Gross Domestic Product (GDP) of the respective states were obtained from DOSM (Department of Statistics) via their official website[1]. This was used as a measurement of economic activities in the respective state for the respective year.
2. Secondly, ratio of Muslims in each of the state under study were also obtained from DOSM via data.gov.my.
3. GDP of the respective states, for the respective years were multiplied by ratio of Muslims with the same corresponding year, they were then multiplied by 2.5% to give an idea of potential zakat collection.
4. The actual zakat collection rate is then calculated by having the actual zakat collected divided by the potential zakat collection.
5. The potential zakat collection rate is where the actual zakat collection rate is subtracted from the maximum zakat collection rate, at 100%.

1   https://newss.statistics.gov.my/newss-portalx/ep/epProductFreeDownloadSearch.seam

This is a qualitative desktop study that would want to benchmark all the studies stated by comparing the actual zakat collection rate and potential zakat collection rate, based on available secondary data. Quantitative elements were infused in order to explore the gap between the actual and potential zakat collected rate, whereby the potential of these states is estimated by employing state GDP which measures the economic activity for the year for each state.

4. FINDINGS AND DISCUSSIONS

Figures 1 to 7 below portrays the actual zakat collection and the segregated channels, which serves the first objective of studying the Zakat collection channels in states where data are available. It can be clearly observed, majority of zakat collected comes from 'flow' rather than 'stock'.
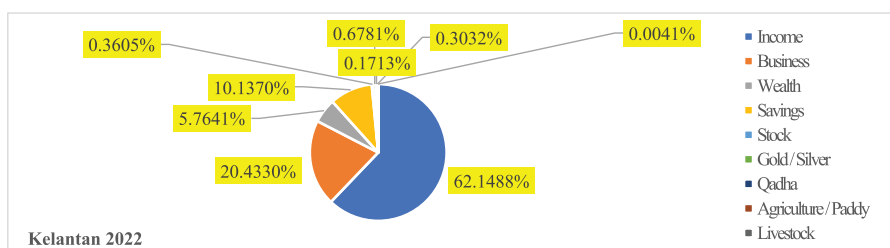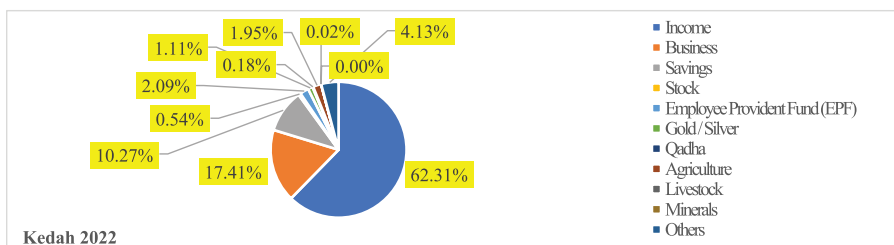

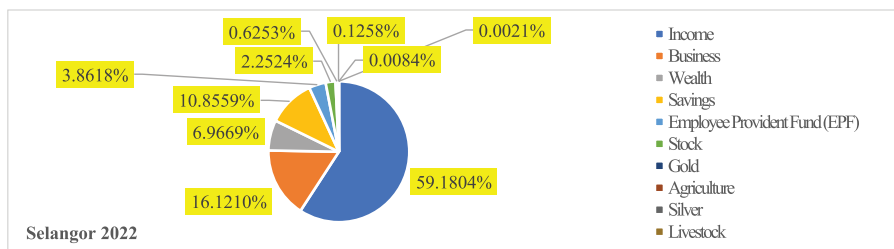**Figure 1: Kelantan Zakat Collection Channels 2022**
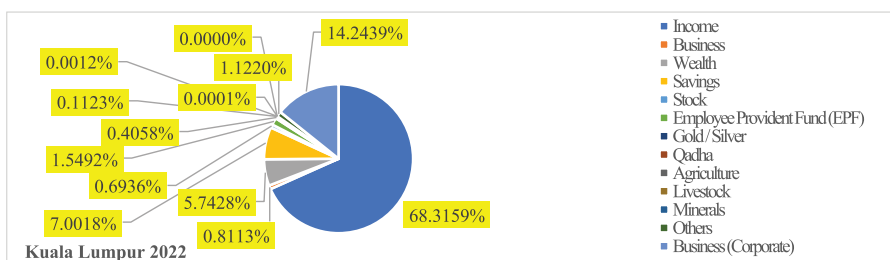
Figure 2: Kuala Lumpur Zakat Collection Channels 2022
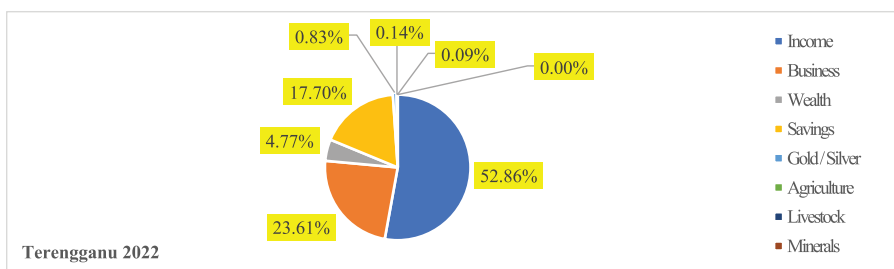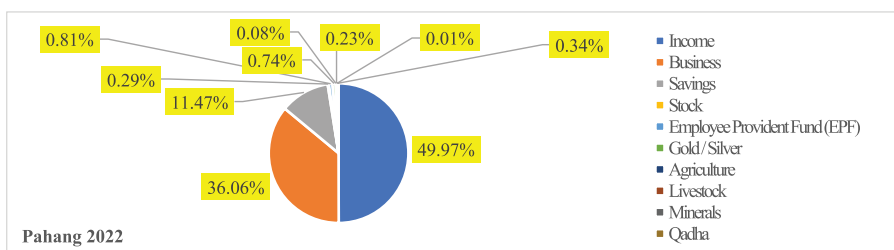
Figure 3: Terengganu Zakat Collection Channels 2022

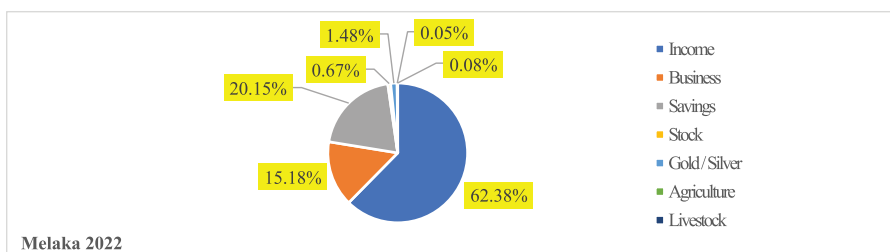**Figure 4: Kedah Zakat Collection Channels 2022**

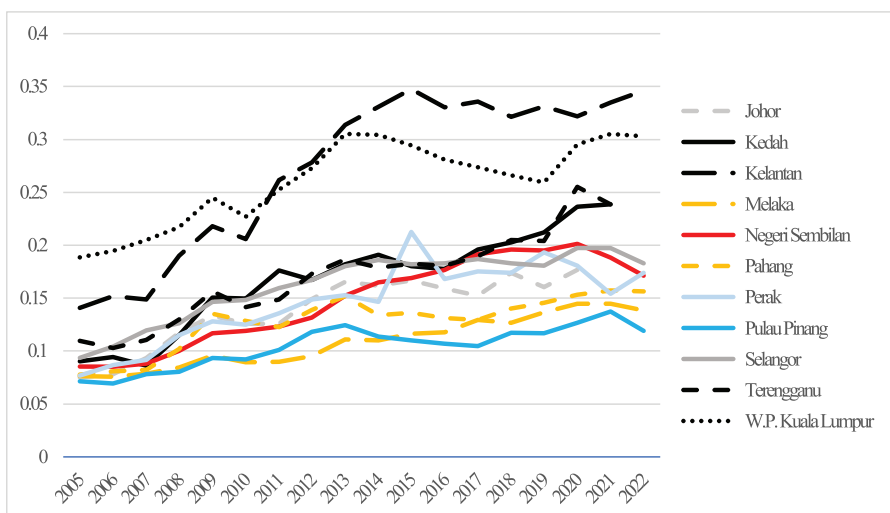**Figure 5: Selangor Zakat Collection Channels 2022**

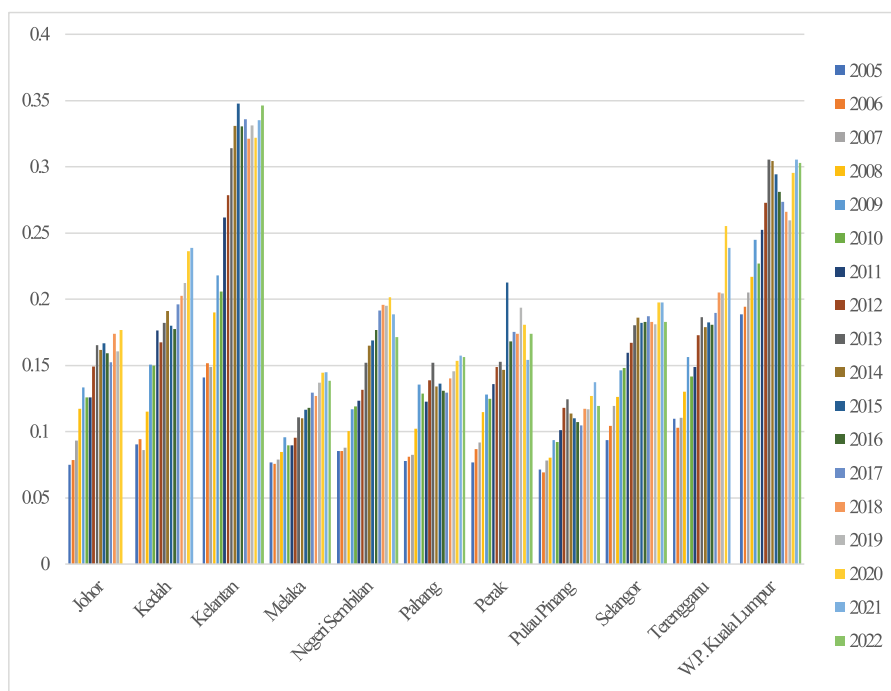**Figure 6: Pahang Zakat Collection Channels 2022**

Figure 7: Melaka Zakat Collection Channels 2022

Figure 8: Overall States Collection Performance, 2005 – 2022

Figure 9: Actual States' Zakat Collection Rate by Year, 2005 – 2022

Figures 8 and 9 above show that in overall, the zakat collection rate in Malaysia has been rising year on year. This has been a good development for the country. Despite such growth, there is still a huge untapped potential for each state. With Kelantan being the highest collector of zakat at 35%, there is still an untapped potential of 65%. Such unexplored potential requires further understanding as to how the state got to its current position, and what else can be done to push the bar chart further up to the uncharted zone.

From the literatures, there are issues of awareness and knowledge regarding zakat. This issue hampers the ability of zakat institutions in collecting zakat to its full potential. This issue could also be observed from the findings of this study. It could be observed that the highest zakat collection rate is in Kelantan, followed by Kuala Lumpur and Terengganu. The traditional 'Malay Muslim' states seem to be leading the states in actual zakat collection rate. From the data gathered, Muslims are the highest population in the state of Kelantan and Terengganu at more than 90%[2]. Such high number of Muslims living

2   https://data.gov.my/data-catalogue/population_state

in the states, along with high zakat collection rate, reflects awareness and knowledge of zakat. Penang and Selangor, despite having high technological advancement in Malaysia alongside Kuala Lumpur, did not collect as much in proportion to Kelantan and Terengganu. This is further supported by the findings of Abdullah & Sapiei (2018), where a portion of females in Klang Valley are not paying zakat due to their lack of knowledge. These results show that further awareness campaigns and knowledge sharing is needed in all states due to the high rate of untapped potential in zakat collection, especially the states with high GDP but low collections. Awareness regarding the obligatory status of zakat is to be spread further alongside the benefits of zakat from the social and economic perspective, where the GDP and HDI of the country improved when zakat distribution increased (Siswantoro & Ikhwan, 2024); Jedidia & Guerbouj, 2021).

Furthermore, it could be observed that zakat institutions are utilizing zakat funds beyond the traditional consumptive distribution to a productive distribution. Programs such as the iTEKAD BNM[3] and Majlis Agama Islam Wilayah Persekutuan (MAIWP) (Che Roselam & Adnan, 2019) initiative exemplify how zakat can create opportunities for economic empowerment. By providing access to capital through microfinance initiatives, zakat enables underserved communities to start their own businesses, fostering economic independence (Bank Negara Malaysia, 2023). In Selangor, Lembaga Zakat Selangor (LZS) supports such goals through entrepreneurship initiatives, providing capital grants and business training to *asnaf* (zakat-eligible) entrepreneurs (Shiyuti & Al-Habshi, 2018). Their educational programs, including scholarships and tuition aid, break the cycle of poverty by empowering individuals with knowledge and skills for socio-economic mobility. Innovative approaches, such as Kedah's Urban Farming Program[4], showcase how zakat can address local challenges like food security. Johor Corporation's zakat initiatives integrate vocational training, employment opportunities, and small-scale business development to foster self-reliance and economic diversification (Johor Corporation, 2020).

Studies have shown that these kinds of productive distributions have a long and positive impact on the zakat recipients (Herianingrum et al., 2024). With such innovative method in distributing zakat, it is encouraged to involve

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3   https://www.bnm.gov.my/social-finance
4   https://inceif.edu.my/a-collaboration-to-upscale-paddy-fields-project-for-asnaf-in-kedah/

news outlet and the mass media to spread these initiatives, on top of current efforts. Innovations are one of the things that could attract audiences, either through social media or news website (Caridà, Colurcio & Melia, 2022). This will lead to interests and heightens awareness regarding zakat utilization, ultimately pique the interests to gain more knowledge regarding this topic, consequently, increases zakat collection. Not only social media is to be utilized, but traditional promotion methods such as lectures at mosques and gatherings work just fine as well (Abdullah & Sapiei 2018). Plus, initiative to raise awareness is also supported by Rosele et al., (2024) where they opine that fundamental information regarding zakat obligation is to be extensively publicized on all kind of media platforms.

Besides that, as can be seen from graph 1 to graph 7, zakat on income is the biggest contributor for zakat collection at minimum of 49% for most states. Hence, zakat institutions and relevant government agencies should ensure the sustainability of this channel. Seeing as how Kelantan, Kuala Lumpur and Terengganu have the highest actual collection rate of zakat proportionate to their Muslim population, these states are to be studied further to be examples for other states.

As for Pusat Pungutan Zakat Kuala Lumpur (PPZ), through their annual reports published on their website[5], several key points should be noted. Just from the publishing of these reports annually without fail from year 1993 to 2023 reflects consistency in their annual report publication. This shows that PPZ has been updating those who are interested in the activities of the institution annually without fail. Similarly, reports published by Majlis Agama Islam Kelantan (MAIK)[6] are full of essential information where they have detailed out the fund utilization and distribution, to the point of amount spent for each *asnaf* category. The consistent informative report publication is not only being done by PPZ and MAIK, but also by LZS[7] and Majlis Agama Islam dan 'Adat Melayu Perak (MAIPk)[8]. These reports could easily be accessed and downloaded from the respective zakat institutions' website. These efforts of annual report publications with essential information boosts trust of Muslims on the zakat institutions, as supported by Fatoni (2022).

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5   https://www.*zakat*.com.my/info-korporat/buku-laporan-tahunan/
6   https://www.e-maik.my/v2/index.php/laporan-terimaan-belanjawan?start=0
7   https://www.*zakat*selangor.com.my/informasi/laporan-aktiviti-zakat2/
8   https://www.maiamp.gov.my/index.php/info/laporan-tahunan-maipk.html

The optimization of zakat collection rate is inherently linked to building public trust and ensuring transparent governance. A robust zakat collection system requires contributors to have confidence in the integrity and effectiveness of zakat institutions. This confidence grows when institutions provide tangible proof of the impact of zakat payments through detailed reporting, public engagement, and showcasing successful projects. Transparency in fund management not only assures contributors of efficient utilization but also encourages higher compliance and broader participation (Jamaluddin, Bahri & Kamal, 2024; Hasbi, 2024; Zarkasi & Sriyono, 2024). By demonstrating accountability and delivering measurable outcomes, zakat institutions can improve their zakat collection rate, creating a virtuous cycle where increased trust leads to greater contributions, further enabling impactful socio-economic programs (Ikhwanda & Hudayanti, 2019; Jayanto & Munawaroh, 2019). The importance of this trust escalates especially for PPZ and LZS due to the high collections achieved each year. This is due to these states are highly populated and are the main drivers of the nation's economy, as can be seen from their GDP. Hence, these two states have a bigger responsibility in delivering their social trust to the relevant stakeholders, especially zakat contributors. Evidently, by being transparent through annual report publishing, MAIK and PPZ rose to be at the top of the actual zakat collectors.

Apart from awareness and reporting, other interesting findings have emerged which may be crucial to note, especially for zakat institutions. In Malaysia, monthly zakat deduction scheme has been implemented, where zakat is deducted from a person's monthly salary (Mohsin, 2015). It can be observed that in PPZ, LZS and Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM), this scheme contributes the most to zakat on income from the Muslim population of respective states. For PPZ, the zakat on income has been rising from year 2017 to 2022, where it was RM408.8 million in 2017 to RM631.7 million in 2022. The monthly zakat deduction scheme for year 2017 was RM327,074,059.43 and RM463,775,126.35 for year 2022. This shows that monthly zakat deduction is a huge portion of zakat on income, which zakat on income contributes the most to the total zakat collection of the state. For year 2022, monthly zakat deduction equals to approximately half of the total collection for year 2022 at RM928,302,963.35.

Likewise, in LZS year 2017, the zakat on income collected amounted to RM444,847,746 and RM528,771,379 in year 2020. Out of the 2017's

total collection, RM302,268,333 of zakat collected is from monthly zakat deduction scheme while in 2020, it amounted to RM322,328,264. Growth was insignificant, however, the collection from this channel is tremendous, at more than half of the zakat on income for years 2017 to 2020, which zakat on income is the biggest contributor to total zakat collection for Selangor throughout the years.

As for MAIDAM[9], from their website, in 2024, the monthly zakat deduction is the highest zakat collection channel for the state amounting to RM86,711,979.64 out of the total amount of zakat on income at RM125,211,463.32. The total zakat collected in the year is RM243,608,011.51. Monthly zakat deduction is at 35.59% of the total zakat collected for the year. Despite this finding, the study by Ali et al., (2018) found that out of the 164 employers' representative interviewed, only 36 companies implement the monthly zakat deduction scheme even with 92.7% of respondents' awareness on the importance of zakat payment. One of the reasons is that it is not the employers' responsibility, but the employees.

Besides monthly zakat deduction, another channel that was recently implemented with the advancement of technology is the online zakat payment. Online zakat payment is where Muslims do not have to be physically present at the zakat offices to pay zakat and can be done from the comfort of their home. Such ease of payment is expected to increase the total zakat collection, due to increased access to Internet (Department of Statistics, Malaysia, 2023).

This is evident at MAIDAM, where their ePayment channel is valued at RM31,093,928.65, which is the third highest driver of zakat collection after monthly zakat deduction as the biggest collector followed by the counter in Kuala Terengganu. Their ePayment channel is 12.74% of the total zakat collected for year 2024. PPZ is also evidence of the rise of e-payment usage in the state. The total value of zakat collected in the year 2020 was RM756,004,918.93, while zakat through e-payment channel contributed a sum of RM81,173,777.75, equal to 10.74% of the total collection of zakat. In 2021, the zakat collection from ePayment channel equals 13.24% of the total zakat collection and recording a growth of 34.04% from year 2020. In 2022, ePayment channel contributed 12.81% of the total zakat collection.

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9   https://e*zakat*.maidam.gov.my/dashboard/index.php

This shows the consistent contribution of the ePayment channel towards the total zakat collected to PPZ. Such consistent contribution means that the ePayment channel is growing proportionately alongside the total zakat collection. According to Sayuti, Hasnita & Munfaridah (2023), they have found that an increased and better feature included on digital wallets will increase the likelihood of paying zakat, infaq and sadaqah online. Hence, to leverage on this growing channel, the zakat institutions are to collaborate with more digital platforms to have wider coverage and increased potential zakat collection.

Moving on to physical counters, MAIDAM have shown in their website that Kuala Terengganu is the physical counter which have collected the most zakat. Interestingly, according to the data publicly made available by DOSM, in the state socioeconomic report of Terengganu 2023, it was stated that the highest population in the state according to administrative district is Kuala Terengganu, at 241,000 people. Plus, the median household income in Kuala Terengganu is RM5,872, which is not the highest in Terengganu. Also, the average household expenditure is RM4,881, which is the fourth highest in the state. The highest median household income and average household expenditure in Terengganu is the administrative district of Kuala Nerus, where it is RM6,800 and RM5,224 respectively. However, the population for Kuala Nerus is 153,600 people. This shows that despite Kuala Nerus having the highest household expenditure and median income, which could be used as economic indicators, it does not mean that it will be the highest contributor for zakat collection in a Terengganu. However, this also means that there is still potential for higher zakat collection from Kuala Nerus, as the people living there have the financial means to pay zakat.

As for LZS, according to their report for year 2019, it was stated that the highest physical counter zakat collection was in the main office of the Lembaga Zakat Selangor, located in Shah Alam, falling under the administrative district of Petaling at RM34,339,679. Second is Bandar Baru Bangi, under administrative district of Hulu Langat. Third is Subang Jaya, under administrative district of Petaling as well. Fourth is Taman Melawati, under administrative district of Gombak. Fifth is Section 14, Petaling Jaya which falls under the administrative district of Petaling as well. As could be observed, the first, third and fifth position are all from Petaling district. According to the state socioeconomic report of Selangor state 2019, it

was stated that the Petaling district had the highest population, estimated around 2,190,700 people, followed by Ulu Langat at 1,392,000 people and Gombak at 828,800 people. As for the household median income, Petaling was the highest at RM8,993 followed by Sepang at RM8,937 and Gombak at RM8,501. Further, the mean household expenditure was topped by Petaling at RM6,787, followed by Sepang at RM5,751 and Gombak closely at RM5,644. These figures tell us that the most populated districts are the one contributing the most for physical counter zakat collection in the state of Selangor. The reports of Terengganu in 2022 and Selangor in 2019 shows that the highest contributing factor to zakat collection for physical counters are the administrative districts with the highest population.

5.   CONCLUSION AND RECOMMENDATION

Through this study, it was found that there is still a huge untapped potential of zakat collection for the studied states in Malaysia at approximately 65% at minimum. Explanations were required to explain as to why such gap is present, leading to find that it was due to lack of knowledge and awareness on zakat by Muslims and accountability by zakat institutions, as supported by Thani et al., (2024) and Fatoni (2022). Through this explorative finding, by state, Kelantan is leading the highest collection rate of zakat while Penang is the lowest. Further analysis of the reports was conducted to figure out why the states with the highest collection are at its current position for their practices to be replicated by others, supported with findings of other scholars.

Based on the discussions, several recommendations are proposed. Firstly, awareness and education regarding zakat is still primitive, hence the efforts to publicize at minimum, the fundamental knowledge regarding zakat is essential in boosting collection rate. Once the fundamental is established, more knowledge and information are to be disseminated, leading to higher zakat collection rate (Rosele et al., 2024).

Next, it is established that adequate information disclosure through annual reports is crucial to gain trust from the public (Sapingi, Nelson & Obid, 2023; Hasbi, 2024). States which publish their reports annually and consistently are to be applauded for their efforts, and to be examples for other states to follow. Hence, consistent publication of reports with adequate information on zakat

collection and distribution is essential and recommended to increase zakat collection rate.

Furthermore, zakat institutions are to give consistent focus on monthly zakat deduction due to the high contribution rate from this channel. Zakat institutions are to collaborate with more employers to increase the rate of contribution and ensure sustainability of this channel, as the situation studied by Ali et al., (2018) where zakat payment is solely the employees' responsibility and not to be shared by the employers is undesirable and not to be repeated.

Besides that, e-payment channels are to also be given priority due to the increased usage and accessibility to Internet banking. This is evident with the usage of Internet banking where it has risen tremendously, where out of the total Internet users, 42.3% was using Internet for banking services in 2018 and it rose to 75.2% in 2023 (Department of Statistics, Malaysia, 2024). In the coming years, with better digital infrastructure, there is a high possibility that this could be the main driver of zakat collection, hence a stable and secure e-payment method is essential.

Plus, the demographic of an area is an essential element to rely on in promoting and educating about zakat. Findings have shown that high population already have high awareness and knowledge regarding zakat, therefore areas with high economic standings are to be of priority next. Finally, these variety of channels provide options for Muslims to contribute zakat. The functionality and ease of use of these channels are crucial in ensuring sustainability and improved zakat collection rate, further supported by Thani et al., (2024) where they found that convenience is the top factor of contribution to zakat. Hence, heightened convenience would lead to higher contribution of zakat.

This study is not without limitations. The study only included eleven states in Malaysia, which Perlis, Sabah and Sarawak have been excluded to ensure high accuracy and relevance of data utilized. A more comprehensive study inclusive of all states is recommended to show a more complete picture of the zakat collection rate in Malaysia, along with the potential zakat collection rate. Furthermore, this is a qualitative study which utilizes secondary data that are publicly available. A study using primary data, especially on the collection channels of zakat would show the most utilized channels by zakat payers, enabling zakat institutions to strategize accordingly. In overall, lack of

data limited this study, where a comprehensive and complete relevant dataset would have given a better understanding of the current zakat collection landscape in Malaysia.

6. ACKNOWLEDGEMENT

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