

**ANALYSING TRENDS IN ZAKAT COLLECTION AND DISTRIBUTION ACROSS
ADVANCED AND LESS ADVANCED STATES IN MALAYSIA**

Adnan Zainal Abidinⁱ Nurhidayah Yahyaⁱⁱ & Suria Majdiⁱⁱⁱ

ⁱ (Corresponding author). Senior Lecturer, Faculty of Accountancy, Universiti Teknologi MARA, Puncak Alam, Selangor. Adnan169@uitm.edu.my

ⁱⁱ Senior Lecturer, Accounting Research Institute, Universiti Teknologi MARA, Shah Alam, Selangor. nurhidayahyahya@uitm.edu.my

ⁱⁱⁱ Senior Lecturer, Faculty of Accountancy, Universiti Teknologi MARA, Puncak Alam, Selangor. suriamajdi@uitm.edu.my

Received: 6 June 2025

Article Progress
Revised: 1 July 2025

Accepted: 12 July 2025

Abstract	<p><i>Zakat, a fundamental pillar of Islamic finance, plays a crucial role in addressing income inequality and poverty alleviation. Each state in Malaysia manages its zakat institutions. Some of the states are categorized as advanced states, while other groups of states are less advanced. Certain states have significantly higher collection amounts than others. Drawing on the Resource-Based View (RBV), this paper emphasizes how internal resources and capabilities within zakat institutions can influence performance outcomes in both zakat collection and distribution. This paper provides a review of the scientific method to assess the performance of zakat collections and distributions, highlighting both its successes and challenges. The study found that the zakat collection amount generally increased year after year. However, not all states in the study showed an increased trend in the zakat distribution amount. The study also revealed that there was no difference in the zakat distribution between advanced and less advanced states. However, there is still room for improvement in terms of transparency, collaboration with other agencies, and the inclusion of additional items in the distribution process to better serve the needs of the target population.</i></p> <p>Keywords: <i>Islamic Finance, Malaysia, Poverty, Zakat Collection, Zakat Distribution</i></p>
-----------------	--

INTRODUCTION

Zakat is one of the Rukun Islam for Muslims but it is not limited to religious obligation; it also should be effective in economic development, particularly designed to address poverty and reduce income inequality (Yusof et al., 2024; Yahaya & Halim, 2022). The decentralized structure of zakat management across Malaysia's 14 states means that each state has full control over the collection and distribution of zakat funds. States such as Pulau Pinang, Selangor, and Wilayah Persekutuan—recognised for their higher real GDP per capita—are considered economically more advanced, while states like Kedah, Kelantan, Terengganu, and Sabah lag behind in economic development (Habibullah et al., 2018). This economic disparity impacts zakat management, particularly in balancing the adequacy of zakat collection with the substantial demands of poverty alleviation across different regions.

Despite ongoing improvements in zakat administration, there remain critical issues in the efficiency of zakat distribution across states. Although advanced states like Selangor report higher zakat collections, significant portions of funds remain unchanneled through official means. For example, in 2011, approximately 22.5% of zakat fitrah in Selangor

bypassed the official collection authority, Lembaga Zakat Selangor, which points to a trust gap among contributors (Hussin, Muhammad & Ahmad, 2013). Additionally, research by Azhar, Kader Mydin, and Pitchay (2023) reveals biases in distribution priorities, where certain asnaf (beneficiary groups) are given precedence over others, complicating the fairness and impact of zakat distribution in less economically advanced states. These imbalances in distribution are not helpful in reducing income inequality development goals. This research is motivated by the need to bridge the gap between zakat collection and its effective distribution to ensure its role in poverty alleviation is achieved. Inefficiencies in zakat management, including issues of transparency and resource allocation, have long been highlighted in the literature (Ahmad & Ma'in, 2014; Wahid, Ahmad & Kader, 2009; Yusof et al., 2024).

This study seeks to investigate the variations in zakat collection and distribution among advanced and less advanced states in Malaysia. Specifically, the research will uncover whether there are significant differences between advanced and less advanced states in the collection and distribution of zakat.

Resource-based theory suggests that states with greater resources and administrative capabilities are better positioned to optimise resource allocation, such as in zakat management. Past studies indicate that modern technologies, such as blockchain, modern infrastructure, and skilled human resources, can enhance transparency by providing a traceable record of transactions, thereby increasing public trust and accountability (Nazeri et al., 2023; Ahmad & Ma'in, 2014; Ahmad Razimi et al., 2016). Contemporary approaches to zakat distribution, such as "productive zakat," which includes capital provision for business startups, have emerged as innovative tools for sustainable poverty alleviation (Ismail & Hussain, 2017; Mahmood et al., 2021).

Historically, the western coast of Peninsular Malaysia, including Pulau Pinang, Perak, Selangor, and Wilayah Persekutuan, has seen rapid development due to its strategic ports and transportation infrastructure. This historical economic advantage has influenced zakat collection and management capacity in these regions. However, to maximise zakat's potential, there remains a need for systematic improvements in distribution practices, particularly through better targeting mechanisms and transparency enhancements. In advanced states like Kedah, Kelantan, Terengganu the East Malaysian states of Sabah and Sarawak face economic constraints due to lesser industrial activity, impacting both zakat collection rates and distribution needs (Razimi, et al., 2016; Ismail & Hussain, 2017).

On the contrary, advanced states may face challenges due to the complexity of managing large funds, subject to compliance and reporting requirements, and poverty incidence is lower in these states than in the less advanced states, which may slow down the distribution process and cause surplus of zakat funds. Thus, this study aims to examine the following hypotheses.

H1: whether advanced states have a higher zakat distribution percentage than less advanced states.

H2: whether the states with higher zakat collection have a higher zakat distribution percentage than states with lower zakat collection.

METHODOLOGY

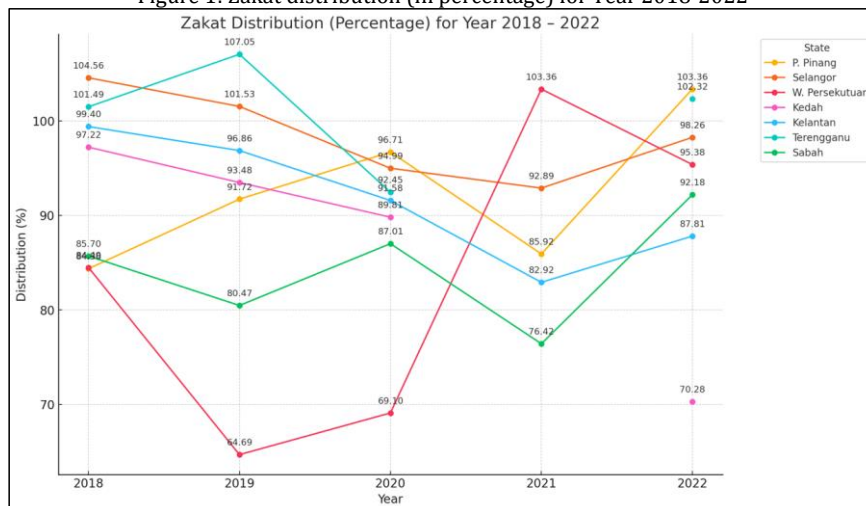
Data was collected from the websites of JAWHAR, the respective state Islamic Council and the newspaper report as indicated. Data collected includes the amount of zakat collected and the amount distributed by the states throughout the study (2018-2022) and the descriptive analysis using statistical software.

The amount distributed over the amount collected is calculated to obtain the percentage of distribution. The results of the zakat collection and distribution and the percentage of distribution for 2018 until 2022 are as in Table 1 and Figure 1. The advanced states are Pulau Pinang, Selangor and Wilayah Persekutuan Kuala Lumpur whereas the less advanced states are Kedah, Kelantan, Terengganu and Sabah.

Table 1: Zakat collection and distribution (in RM million) from year 2018-2022

	2018		2019		2020		2021		2022	
	Collection	Distribution	Collection	Distribution	Collection	Distribution	Collection	Distribution	Collection	Distribution
P. Pinang	119.73	101.01	121.43	111.38	130.88	126.58	147.26	126.53	150.14	155.18
Selangor	793.7	829.88	855.14	868.26	912.96	867.23	992.91	922.32	1067.86	1049.29
W. Persekutuan	651.22	550.23	688.41	445.35	761.85	526.47	708.62	732.45	928.3	885.43
Kedah	183.56	178.46	206.06	192.62	217.91	195.7	NA	NA	252.25	177.29
Kelantan	183.03	181.94	195.14	189.02	202.65	185.58	209.99	174.13	228.22	200.41
Terengganu	160.72	163.12	178.65	191.24	185.1	171.12	NA	NA	228.04	233.34
Sabah	79.66	68.27	89.0	71.62	101.79	88.57	122.46	93.59	133.43	122.99

Figure 1: Zakat distribution (in percentage) for Year 2018-2022



Source: *from <https://www.bharian.com.my/berita/nasional/2019/01/525030/jumlah-kutipan-zakat-ppz-maiwp-2018-rm65122-juta>

*** from https://appszakat.sabah.gov.my/statistik_pungutan.php

RESULTS

Based on Table 1 and Figure 1 above, the analysis of zakat collection and distribution trends across multiple states reveals notable insights. States such as Kedah, Kelantan, Terengganu and Pulau Pinang experienced consistent growth in collection over the years, with some fluctuations in distribution. Kedah observed a steady increase in both collection and distribution until a decline in 2021, while Kelantan saw a recovery in 2022 following a drop in distribution in 2020 and 2021. Similarly, Terengganu's collection dipped in 2020 but rebounded by 2022. On the other hand, Wilayah Persekutuan reported increases in collection except in 2021 and continuous growth in distribution, barring a slight decrease in 2019. Notably, Selangor and Pulau Pinang maintained upward trends in both collection and distribution, though Selangor witnessed a minor dip in distribution in 2020 and Pulau

Pinang in 2021. Sabah stood out with uninterrupted increases in both collection and distribution across all years.

In 2021, all states experienced a decline in their distribution percentages, with data for Kedah and Terengganu unavailable. Despite some fluctuations in distribution performance across the years, collection trends generally increased, with Wilayah Persekutuan as the only exception in 2021. The states demonstrated mixed outcomes in their ability to distribute zakat effectively. Advanced states like Selangor, Wilayah Persekutuan, and Pulau Pinang exhibited disparities, ranking first, last, and third, respectively, in terms of average distribution percentages. Surprisingly, Terengganu, a less advanced state, achieved the second-highest distribution percentage. Additionally, Kelantan, Kedah, and Sabah—all less advanced states—outperformed Wilayah Persekutuan in average distribution percentage, despite the latter's higher collection. Selangor and Wilayah Persekutuan, with the highest collections, demonstrated contrasting distribution outcomes, ranking first and last, respectively. Meanwhile, Terengganu, with comparatively lower collections, ranked higher in distribution percentage than Wilayah Persekutuan. Likewise, Kelantan and Sabah, though collecting less, achieved higher distribution percentages than Wilayah Persekutuan. Overall, the distribution percentage across all states during the study period averaged 91.78%, a commendable performance. Despite slight downturns in 2019 and 2020, the overall trend indicates growth in distribution percentages, reflecting the state's ongoing efforts to enhance zakat distribution effectiveness.

Further, to test for Hypothesis 1, whether advanced states have a higher zakat distribution percentage than less advanced states, the normality of the data was analysed using the Shapiro-Wilk test. Wilayah Persekutuan, Selangor, and Pulau Pinang are classified as advanced states, while other states are less advanced states. For advanced states, the p-value is 0.048, which is less than 0.05. This means the data for advanced states does not follow a normal distribution. For less advanced states, the p-value is 0.924, which is greater than 0.05, indicating the data is normally distributed for less advanced states. Hence, it would be more appropriate to use a non-parametric test, which is the Mann-Whitney U test, to compare the zakat distribution percentage between the groups. The result is shown in Table 2.

Table 2: Mann-Whitney U Test Results

Test	Value
Mann-Whitney U	139.0
p-value	0.6778

Based on Table 2, since the p-value (0.6778) is greater than the typical significance level of 0.05, there is no significant difference in the zakat distribution percentage between advanced and less advanced states. Therefore, Hypothesis 1 is not supported.

For Hypothesis 2, to test whether the states with higher zakat collection have a higher zakat distribution percentage than states with lower zakat collection, the data in Figure 2 present the total average zakat for each state.

Figure 2: Total Average Zakat for 2018-2022

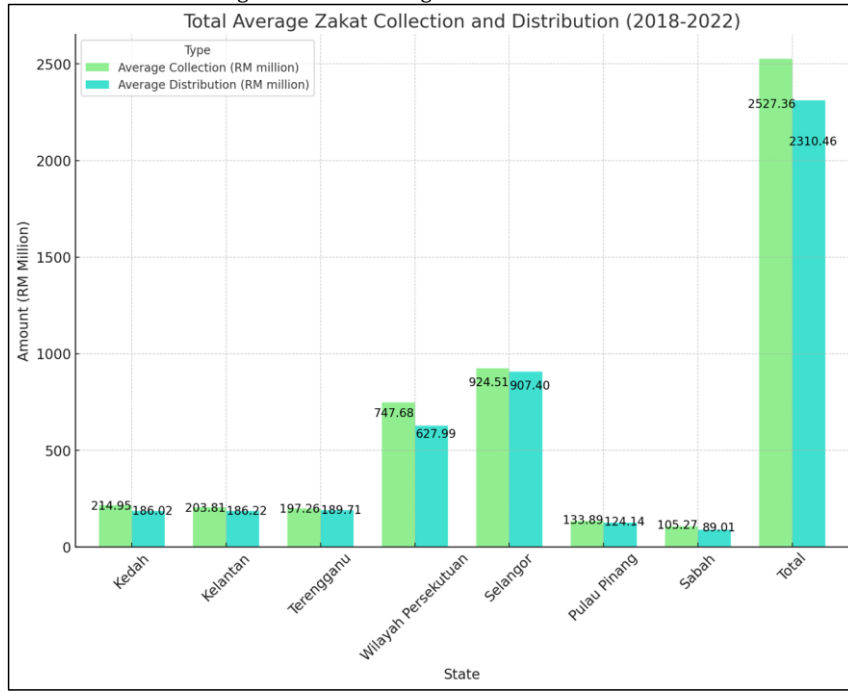
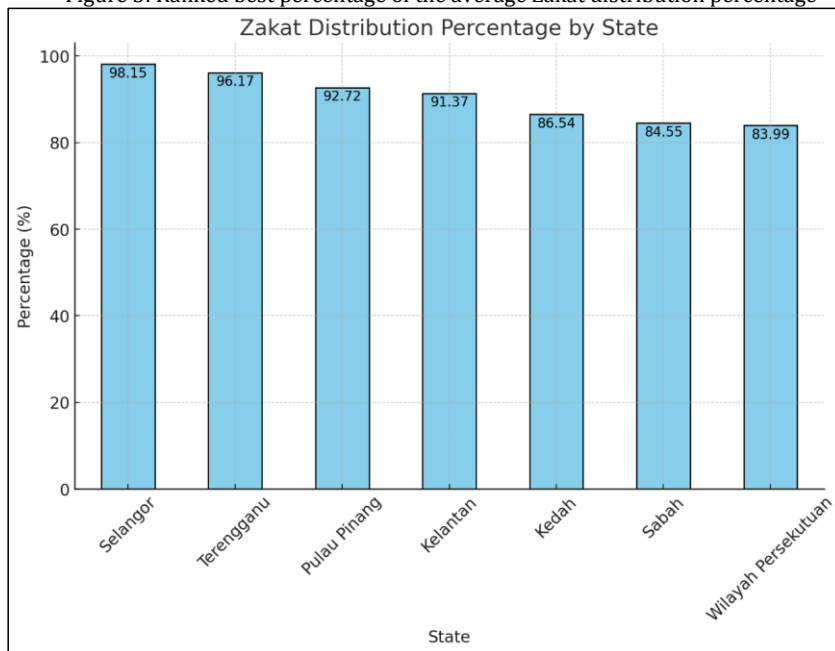


Figure 3: Ranked best percentage of the average Zakat distribution percentage



The ranking for average zakat distribution percentage (Table 3) and zakat collection is different. Taking the mean of zakat collection is RM361.05 million, Mann-Whitney U test results when comparing distribution percentages show the p-value of 1.000. This indicates that there is no significant difference in zakat distribution percentages between states with higher and lower zakat collections when grouped by the means. Even Spearman correlation shows a very weak relationship ($r=0.143$, $p=0.760$), indicating that there is no significant correlation between zakat collection and zakat distribution percentages. Thus, Hypothesis 2 is not supported.

DISCUSSION

Zakat data is available from a few official websites, such as JAWHAR and the state's Islamic department. This promotes transparency and accountability, as has been discussed by, among others, Ahmad and Ma'in (2014) and Nazeri et al (2023). Zakat payers want their contributions to be channelled to the intended parties as soon as possible. Delaying in distributing the zakat is considered a weakness on the part of the zakat collector.

As a part of analysing the distribution effectiveness, a comparison of zakat collected and distributed by states is done. It is expected that advanced states are able to distribute a higher percentage of zakat if compared with less advanced states. Advanced states should have more resources to collect and distribute zakat. It is also expected that these states have effective distribution channels to ensure zakat reaches the intended recipients.

Alternatively, zakat distribution in states with higher zakat collection is expected to be better than states with lower collection. High zakat collection means the environment surrounding zakat collection, such as infrastructure, is in a good position. For example, zakat can be paid not only through traditional methods, but new innovative collection channels like drive through mode have been implemented. Another example is zakat payment through an online method. Possibly, the zakat payment to the recipients could also be done online. The advantages should be used to effectively distribute back the zakat collected to the *asnaf*.

Nonetheless, from the data analysis above, the two hypotheses statistically cannot be proven. It showed that there was no difference in the distribution percentage of zakat between the advanced states and the lesser advanced states. They are at the same level. Is the level high or low? Looking at the total average distribution percentage of 91.42 in Figure 3, we concluded that the level is not low. However, there are many rooms for improvement, especially in the state of Wilayah Persekutuan. The collected amount of Wilayah Persekutuan was second behind Selangor. Selangor managed to distribute more than 98% of the zakat and ranked first, but Wilayah Persekutuan only managed to distribute 84% to spot last.

There could be unique problems in zakat management in Wilayah Persekutuan but this can be quickly studied and resolved. The close proximity of Selangor and Wilayah Persekutuan enables cooperation and faster solutions to problems. Additionally, we noticed that Kedah's distribution percentage was steadily declining over the period of the study. In fact, its distribution percentage of just 70% in 2022 was among the lowest over the period. The two cases could be a potential research opportunity for another research.

CONCLUSION

To conclude, the research tries to gauge the effectiveness of zakat distribution among states in Malaysia. We try to find whether the distribution of zakat in the advanced states of Malaysia is better than in the less advanced states. Based on the statistical analysis, there was not enough evidence to support the hypothesis. Additionally, states with higher zakat collections were not better than states with lower zakat collections in terms of the distribution of zakat percentage. Statistically, we conclude that there was no difference in zakat distribution percentage between advanced and less advanced states and between states with higher zakat collection and lower zakat collection. Nonetheless, on average, the

distribution percentage of zakat among the states was more than 91%, which can be considered good.

REFERENCES

Journal

- Ahmad, I. H., & Ma'in, M. (2014). The Efficiency of Zakat Collection and Distribution: Evidence from Two Stage Analysis. *Journal of Economic Cooperation & Development*, 35(3).
- Azhar, Z., Mydin, M. K. K., & Pitchay, A. A. (2023). Zakat Distribution Priorities in Malaysia: An Analytic Hierarchy Process Analysis. *Asian Journal of Business and Accounting*, 69-87.
- Habibullah, M. S., Din, B. H., Sanusi, N. A., & Hamid, B. A. (2018). The less states are converging to the richer state in Malaysia: An empirical investigation with some robust results. *International Journal of Economics and Management*, 12, 549-566.
- Hussin, Mohd Yahya, Fidlizan Muhammad, & Mohamad Ali Roshidi Ahmad. (2013). Kepatuhan Membayar Zakat: Analisis Kutipan dan Ketirisan Zakat Fitrah di Selangor. *Jurnal Syariah* 21(2): 191-206.
- Ismail, A. G., & Hussain, M. N. (2017). The economic impact of zakat distribution on the financial well-being of low-income households in Malaysia. *International Journal of Zakat*, 3(3), 42-58.
- Mahmood, M., Hassan, R., & Hassan, M. H. (2021). Enhancing zakat distribution in Malaysia: Strategic suggestions. *Journal of Islamic Accounting and Business Research*, 12(4), 519-534.
- Nazeri, M. A., Hashim, H., & Abdullah, A. (2023). Blockchain technology in zakat: Enhancing transparency and trust. *Journal of Islamic Finance*, 10(1), 104-119.
- Razimi, M. S. A., Romle, A. R., & Erdris, A. M. (2016). Challenges in the management and distribution of zakat for poverty alleviation: A comparative study of Malaysian zakat institutions. *Asian Journal of Islamic Management*, 2(1), 21-34.
- Razimi, M. S. A., Romle, A. R., & Erdris, A. M. (2016). Zakat management in Malaysia: a review. *American-Eurasian Journal of Scientific Research*, 11 (6). 453-457.
- Wahid, H., Ahmad, S., & Kader, R. A. (2009). Distribution of zakat and its effects on recipients: A case study of Malaysia. *Journal of Islamic Economics, Banking and Finance*, 5(1), 43-61.
- Yahaya, S. N., & Halim, H. A. (2022). Zakat as an Instrument for Reducing Income Inequality: Evidence from Malaysian Case Studies. *Journal of Islamic Economics*, 45(2), 155-171.
- Yusof Punding, S., Sheikh Mohammad, R., & Abu Bakar, N. (2024). Zakat Distribution and Poverty Alleviation in Malaysia: A Systematic Review of Key Success Factors and Challenges. *Journal of Islamic Finance and Social Development*, 12(1), 87-106.

Website

- Lembaga Zakat Selangor. (n.d.). <https://www.zakatselangor.com.my/dataterbukalzs>.
- Pungutan | BZF. (n.d.). https://appszakat.sabah.gov.my/statistik_pungutan.php
- SPM JAWHAR. (n.d.). <https://baitulmal.jawhar.gov.my/index.php>
- Suhaila Shahrul Annuar. (2019, January 28). Jumlah kutipan zakat PPZ-MAIWP 2018 RM651.22 juta. Berita Harian. <https://www.bharian.com.my/berita/nasional/2019/01/525030/jumlah-kutipan-zakat-ppz-maiwp-2018-rm65122-juta>

Disclaimer

Opinions expressed in this article are the opinions of the author(s). Al-Qanatir: International Journal of Islamic Studies shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.

Commented [F11]: Complete the incomplete information