

# CHAPTER 1

## INTRODUCTION

### 1.1 Overview of Chapter

This study delves into understanding the payment behaviours of Muslims concerning *Zakat al-Fitr* through digital payment platforms. Chapter 1 is dedicated to elucidating the foundational aspects of the study, encompassing the background, problem statement, research questions, and objectives. Additionally, this chapter will expound upon the research by delineating conceptual and operational terms, offering insights into the significance and scope of the study. By the conclusion of this chapter, a thorough overview of the research topic will be provided, laying a robust groundwork for the ensuing study.

### 1.2 Background of the Study

Five pillars of Islam are becoming the fundamental of Muslim, which are *shahadat*, *solah*, *zakat*, fasting and *haj*. As the third important pillar of Islam, *zakat* is an obligatory contribution of a certain amount of wealth by Muslims by abiding by some criteria to benefit the *asnaf* (Esrafi et al., 2018). The word *zakat* derives from the Arabic word *zakki*, which means *to bless, purify, grow and increase* towards the donor, recipient and asset (Ibrahim & Siraj, 2020). The *Maqasid al-Syari'ah* (the objective which brings benefits to the individual or the community) of *zakat* is to purify the heart of donors from unhealthy behaviour like selfishness and greed by creating *silaturrahim* (strengthening friendship) and helping the unfortunate (Shamsuddin, 2021).

*Zakat* divides into two types, which are *Zakat al-Mal* and *Zakat al-Fitr*. *Zakat al-Mal* is the compulsory almsgiving with a minimum holding amount by a Muslim who has kept a certain wealth such as gold, silver, jewellery, cash, livestock, and agricultural beyond one year of the lunar calendar (*hawalan hawli*), which distributes to the *asnaf* (Mohsin, 2015). On the other hand, based on several *Hadith Sahih Al-Bukhari*, *Zakat al-Fitr* is a compulsory donation to the poor or needy during *Ramadan* to assist in their preparation for celebrating *Eid al-Fitr* (Mahmuddin et al., 2020)

Eight categories of *asnaf* (beneficiaries) of *zakat* specify in Surah At-Taubah, verse 60. They are *fakir* (the poor), *misikin* (the needy), *jisabilillah* (the fighter for the Islamic cause), *gharimin* (the person who has an overwhelming debt), *riqab* (freeing people from slavery), *muallaf* (the person who converts to Islam), *amil* (the *zakat* collector) and *ibnussabil* (the stranded wayfarer who needs financial aid). While the contributor is known as a *muzakki*..

Everyone who lives in *Ramadhan* and has sufficient food to eat for *Eid al-Fitr* is obligated to be a *muzakki*, paying *Zakat al-Fitr* which equals one *sa'* of the main crop like dates and barley (Tafsiruddin, 2020). In Malaysia, the rate of *Zakat al-Fitr* is one *sa'* or a *gantang* of rice (as the main crop) is a measurement of volume that needs to be calibrated to the weight of about 2.6 to 2.7kg (Ab Rahman et al., 2015). Earlier, Malaysians contributed rice for *Zakat al-Fitr*.

There was no formal mechanism for *Zakat al-Fitr* collecting in Malaysia before British imperialism. Instead, the community would choose an Islamic religious teacher (*Ustaz*) who believed could be trusted and behaved well as the *amil* (Ab Rahman et al., 2017). The *amil* would collect the rice from the *muzakki* and directly distributed to the needy including *asnaf*.

Then, during the colonisation, the British only gave the selective Islamic and Malay Affairs power, including *Zakat al-Fitr* management, to the state authority (Hassim et al., 2019). The state authority which is known as *Majlis Agama Dan Adat Istiadat Melayu*, appointed the *imam*, who leads prayers in a mosque, to collect *Zakat al-Fitr* and channel the collection to the state authority as the government's Islamic revenue (Ab Rahman et al., 2017). The state authority distributed the collection to the needy. Since then, the concept of collection *Zakat al-Fitr* was not directly between *muzakki*, *amil* and needy. The *muzakki* contributed to the state authority via *amil*. Then, the state authority distributed the *Zakat al-Fitr* to the needy.

Post-independent, Malaysia has 13 states and three federal territories. Islamic affairs including managing *Zakat* are falls under respective states and federal territories. It is under state council, which is State Islamic Religious Council, or *Majlis Agama Islam Negeri* (MAIN). While *Majlis Agama Islam Wilayah Persekutuan* (MAIWP) is the Islamic council responsible in Islamic matters in all federal territories. The council are also becoming the *zakat* institutions, handling collecting and distributing *zakat*. In line with the Privatisation Policy in 1983, some state *zakat institutions* started to adopt the policy by privatising the mechanism of *zakat* management like the *Zakat al-Fitr* collection. Post-privatisation *zakat* institutions showed yearly incremental *Zakat al-Fitr*'s collection due to the improvement of the management (Ibrahim, 2014), like opening more *Zakat al-Fitr*'s counters, including in the university and also the introduction of online transactions (Ibrahim, 2020b).

On the contrary, there has been an improvement in determining the rate of *Zakat al-Fitr*. *Zakat* institutions have collaborated to establish uniform *Zakat al-Fitr* rates and to provide multiple rates based on the type of rice regularly consumed by individuals (Eza, 2021; Halim, 2021). Although there were still several states like Sarawak and

Perlis offering a singular rate, some states like Johore and Malacca adopting to offer multiple tiers of rates. In 2020, the Federal Territories also began implementing multiple tiers of rates, offering four different types of rates. Additionally, in 2020 and 2021, a lower rate of RM5.00 in the Federal Territories was introduced to incentivize those affected by COVID-19 to pay *Zakat al-Fitr* through formal channels, thereby preventing leakages. Table 1.1 displays the *Zakat al-Fitr* rates in Malaysia from 2019 to 2023.

**Table 1.1:** *Zakat al-Fitr* Rates in 2019–2023 (RM)

State	2019	2020	2021	2022	2023
Terengganu	7.00	7.00	7.00	7.00	8.00, 10.00, 24.00
Johore	7.00, 10.00	7.00, 10.00	7.00, 10.00	7.00, 10.00	7.00, 13.00
Perak	7.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00
Sabah	7.00	6.00, 7.50	7.00	7.00	7.00
Kelantan	7.00	7.00	7.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00
Federal Territories of Kuala Lumpur, Putrajaya, and Labuan	7.00	5.00, 7.00	5.00, 7.00, 14.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00
Kedah	7.00	5.00, 7.00, 14.00, 21.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00	6.50, 7.00, 14.00, 21.00
Penang	7.00	7.00, 16.00	7.00, 12.00, 16.00	7.00, 13.00, 20.00	7.00, 13.00, 20.00
Pahang	7.00	7.00	7.00	7.00	7.00, 14.00, 21.00
Sarawak	7.00	7.00	7.00	7.00	7.00
Selangor	7.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00
Malacca	7.00, 14.00	7.00, 14.00	7.00, 14.00	7.00, 14.00, 21.00	7.00, 14.00, 21.00
Negeri Sembilan	6.50	7.00	7.00	7.00, 10.00, 21.00	7.00, 10.00, 21.00
Perlis	7.00	7.00	7.00	7.00	7.00

Sources: Portals/apps of respective *zakat* institutions (updated 11 March 2024)

Despite the impact of COVID-19, which affected Malaysia and the world starting from 2020, the overall trend indicates an increase in *Zakat al-Fitr* collection in Malaysia. The *zakat* institutions in Terengganu, Selangor, the Federal Territories, Kelantan, Kedah and Penang were able to collect 0.2–18% more *Zakat al-Fitr* in 2020

compared to 2019 and in 2021 compared to 2020. Terengganu, Kelantan, and Kedah also experienced three consecutive years of increment in *Zakat al-Fitr* collection between 2019 to 2022. Moreover, the introduction of a lower rate of *Zakat al-Fitr*, set at RM5.00, alongside higher rates in the Federal Territories between 2020 (with another rate at RM7.00) and 2021 (with rates at RM7.00 and RM14.00), did not decrease the amount of collection compared to the flat rate of RM7.00 in 2019.

Indeed, the flexibility in strategic approaches to determining the rate of *Zakat al-Fitr*, including considerations such as the location of the state and the price of rice, as well as the implementation of multiple tiers of rates, plays a significant role in encouraging Muslims to pay *Zakat al-Fitr* through formal channels. By tailoring the *Zakat al-Fitr* rates based on factors such as geographical location and the cost of living, *zakat* institutions demonstrate an understanding of the diverse socio-economic circumstances faced by Muslims in different regions. This approach ensures that the *Zakat al-Fitr* rates remain fair and equitable, considering variations in purchasing power and living standards across different areas. Furthermore, the adoption of multiple tiers of rates provides flexibility and accommodates individuals with varying financial capabilities. By offering different rate options, *zakat* institutions empower Muslims to contribute according to their means, thereby promoting inclusivity and participation in *Zakat al-Fitr* payment.

Overall, these strategic approaches not only facilitate compliance with *Zakat al-Fitr* obligations but also instill confidence and trust in formal channels of payment. By aligning rates with local contexts and providing flexible options, *zakat* institutions effectively encourage Muslims to fulfill their religious duties through official channels, thereby supporting the broader goals of *Zakat al-Fitr* in addressing the needs of the less

fortunate in society. Table 1.2 shows the collection of *Zakat al-Fitrah* in Malaysia between 2019 to 2022.

The emergence of online technology has facilitated the use of digital transactions for payments. This digital leap is also influencing people's contributions to religious obligations. Consequently, *zakat* institutions in Malaysia are adapting to this trend by embracing digital transactions to offer multiple modes of payment, in addition to the traditional method of payment via *amil* (Ibrahim, 2020b).

*Zakat al-Fitr* can now be paid using either digital or non-digital methods in Malaysia. The increase in *Zakat al-Fitr*'s collection supports the findings of by Ibrahim, (2020a), who revealed that leveraging multiple payment channels and technological solutions enhances *Zakat al-Fitr* collection. Non-digital payment involves traditional methods where the *muzakki* pays to the *amil*, who then channels it to the *zakat* institutions (Yahaya & Ahmad, 2018). On the other hand, digital payment may involve technologies such as blockchain and eliminate human intervention, allowing for direct transactions between the *muzakki* and the needy (Mohd Nor et al., 2021). This accommodates *muzakki* who prefer to pay directly to the *amil*. Therefore, the availability of both digital and non-digital payment options provides flexibility and convenience for *muzakki*, contributing to increased *Zakat al-Fitr* collection while accommodating varying preferences among contributors.

**Table 1.2:** Collection of *Zakat al-Fitrah* in Malaysia in 2019–2022 (RM)

State	2019	2020	2021	2022	% difference (2020 /2019)	% difference (2021 /2020)	% difference (2022 /2021)
Terengganu	6,566,341.03	6,584,057.15	7,263,265.90	7,454,313.97	0.27	10.32	2.63
Johor	n/a	n/a	19,197,247.00	n/a	n/a	n/a	n/a
Perak	n/a	9,918,495.78	n/a	n/a	n/a	n/a	n/a
Sabah	9,772,966.00	10,835,184.10	10,761,513.82	10,928,619.40	10.87	-0.68	1.55
Kelantan	8,481,475.00	9,311,762.00	9,413,249.00	10,061,604.00	9.79	1.09	6.89
Federal Territories of Kuala Lumpur, Putrajaya, and Labuan	9,813,766.00	11,147,383.36	12,187,801.48	n/a	13.59	9.33	n/a
Kedah	10,200,354.00	10,643,279.97	11,144,612.00	11,798,924.00	4.34	4.71	5.87
Penang	5,066,424.00	5,560,586.81	6,027,987.19	n/a	9.75	8.41	n/a
Pahang	n/a	7,084,511.00	7,521,990.00	n/a	n/a	6.18	n/a
Sarawak	5,314,231.00	5,416,831.00	n/a	n/a	1.93	n/a	n/a
Selangor	26,634,292.00	31,443,792.00	33,370,178.00	32,969,152.00	18.06	6.13	-1.20
Malacca	4,516,113.00	4,807,684.00	n/a	n/a	6.46	n/a	n/a
Negeri Sembilan	4,935,245.00	4,568,518.40	5,213,055.00	n/a	-7.43	14.11	n/a
Perlis	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: Annual reports, JAWHAR Portal, and state *zakat* institutions (updated on 11 March 2024)

The mechanism of digital payment is among a priority in the management activities of *zakat* institutions. (Che Mohd Salleh & Chowdhury, 2020). Digital payment allows contactless transaction without hassle. The digital payment platforms as an enabler will facilitate *Zakat al-Fitr* payments, especially during such crises as COVID-19. Scientists predict that COVID-19 will become endemic and remain a threat in the long term. Therefore, the public needs to take precautions against the disease, one of which is through digital payment in place of traditional methods (Ingrid, 2021).

*Zakat* institutions commonly utilize digital payment including internet banking, mobile banking and mobile payment (Yahaya & Ahmad, 2018). Establishing strategic alliances with banks has enabled certain *zakat* institutions in Malaysia to leverage internet and mobile banking services effectively (Ibrahim, 2020b). Table 1.3 shows the mechanism of *Zakat al-Fitr* collection by *zakat* institutions in Malaysia.

The implementation of multiple modes of payment by *zakat* institutions in Malaysia, as observed in 2022, both digital and non-digital, as outlined in Table 1.3, coupled with the continuous growth in the collection of *Zakat al-Fitr*, as evidenced by Table 1.2, aligns with economic theories such as the Solow Growth Model and Schumpeter's theory of development.

**Table 1.3: Zakat al-Fitr Collection Mechanisms in Malaysia**

State	Non-Digital	Digital		
	<i>Amil/ Counter</i>	Internet Banking	Mobile Banking	Mobile Payment
Terengganu	<ol style="list-style-type: none"> <li>1. Traditional service counters</li> <li>2. 1,090 <i>amil</i> at the mosque</li> <li>3. Drive-through counters</li> </ol>	<ol style="list-style-type: none"> <li>1. JomPAY</li> <li>2. Bank Islam</li> <li>3. Maybank2u</li> <li>4. CIMB Clicks</li> <li>5. iRakyat</li> <li>6. RHB Bank</li> <li>7. Affin Islamic</li> <li>8. AmBank Group</li> </ol>	<ol style="list-style-type: none"> <li>1. JomPAY</li> <li>2. Bank Islam</li> <li>3. Maybank2u</li> <li>4. CIMB Clicks</li> <li>5. RHB Bank</li> <li>6. Affin Islamic</li> <li>7. AmBank Group</li> </ol>	<ol style="list-style-type: none"> <li>1. MAIDAM's portal</li> <li>2. Tulus (apps)</li> </ol>
Johor	<ol style="list-style-type: none"> <li>1. 1,648 <i>amil</i></li> </ol>	<ol style="list-style-type: none"> <li>1. Bank Islam</li> <li>2. Maybank2u</li> <li>3. CIMB Clicks</li> <li>4. iRakyat</li> <li>5. RHB Bank</li> <li>6. Affin Islamic</li> <li>7. AmBank Group</li> <li>8. Public Bank Berhad</li> <li>9. Standard Chartered</li> <li>10. Agro Bank</li> <li>11. Bank Simpanan Nasional</li> </ol>	<ol style="list-style-type: none"> <li>1. Bank Islam</li> <li>2. Maybank2u</li> <li>3. CIMB Clicks</li> <li>4. RHB Bank</li> <li>5. Affin Islamic</li> <li>6. AmBank Group</li> <li>7. Public Bank Berhad</li> <li>8. Standard Chartered</li> <li>9. Agro Bank</li> </ol>	<ol style="list-style-type: none"> <li>1. MyEG</li> <li>2. MAIJ's portal</li> <li>3. Tulus (apps)</li> </ol>

Table 1.4, continued

State	Non-Digital	Digital		
	<i>Amil/ Counter</i>	Internet Banking	Mobile Banking	Mobile Payment
Perak	<i>Amil</i>	1. Maybank2u 2. CIMB Clicks	1. Maybank2u 2. CIMB Clicks	1. MAIAMP's portal
Sabah	1. 2000 amil	1. Bank Islam 2. Maybank2u 3. iRakyat 4. Agro Bank 5. Bank Simpanan Nasional	1. Bank Islam 2. Maybank2u 3. Agro Bank 4. DuitNow a) Maybank b) Bank Muamalat	1. MyEG 2. Boost (portal&apps) 3. Shopee (portal& apps) 4. Tulus (apps) 5. Pos Online (portal)
Kelantan	1. Service counters a) Office of Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK) b) Mosque c) Bank Islam d) Pos Malaysia e) Mobile Unit	1. Bank Islam 2. Maybank2u 3. CIMB Clicks 4. iRakyat 5. RHB Bank 6. Affin Islamic 7. AmBank Group 8. Standard Chartered	1. Bank Islam 2. Maybank2u 3. CIMB Clicks 4. RHB Bank 5. Affin Islamic 6. AmBank Group 7. Standard Chartered	1. MyEG 2. PayHalal 3. MAIK's portal
Kedah	1. Traditional service counters 2. <i>Amil</i> at mosque 3. Drive through counter	1. JomPay	1. JomPay	1. Jom Zakat (LZNK's portal)

Table 1.4, continued

State	Non-Digital	Digital		
	<i>Amil/ Counter</i>	Internet Banking	Mobile Banking	Mobile Payment
Penang	<ol style="list-style-type: none"> <li>Traditional service counters</li> <li><i>Amil</i></li> </ol>	<ol style="list-style-type: none"> <li>JomPay</li> </ol>	<ol style="list-style-type: none"> <li>JomPay</li> </ol>	<ol style="list-style-type: none"> <li>GoPayz (apps)</li> <li>Zakat Penang2u (portal)</li> <li>Tulus (apps)</li> </ol>
Federal Territories of Kuala Lumpur, Putrajaya, and Labuan	<ol style="list-style-type: none"> <li>909 amil</li> </ol>	<ol style="list-style-type: none"> <li>JomPay</li> <li>Bank Islam</li> <li>Maybank2u</li> <li>CIMB Clicks</li> <li>iRakyat</li> <li>RHB Bank</li> <li>Affin Islamic</li> <li>AmBank Group</li> <li>Public Bank Berhad</li> <li>Standard Chartered</li> <li>Agro Bank</li> <li>Bank Simpanan Nasional</li> <li>OCBC</li> <li>HSBC</li> <li>Hong Leong Bank</li> <li>Bank Muamalat</li> </ol>	<ol style="list-style-type: none"> <li>JomPay</li> <li>Bank Islam</li> <li>Maybank2u</li> <li>CIMB Clicks</li> <li>RHB Bank</li> <li>Affin Islamic</li> <li>AmBank Group</li> <li>Public Bank Berhad</li> <li>Standard Chartered</li> <li>Agro Bank</li> <li>OCBC</li> <li>HSBC</li> <li>Hong Leong Bank</li> </ol>	<ol style="list-style-type: none"> <li>PPZ-MAIWP (portal)</li> <li>Pos Online (portal)</li> <li>Shopee (portal &amp; apps)</li> <li>Boost (portal &amp; apps)</li> <li>Digital Zakat Counter (MAIWP's customer service over the phone)</li> <li>MyZakat (apps)</li> <li>SnapNPay (apps)</li> <li>PayHalal (portal)</li> </ol>

Table 1.4, continued

State	Non-Digital	Digital		
	<i>Amil/ Counter</i>	Internet Banking	Mobile Banking	Mobile Payment
Pahang	<ol style="list-style-type: none"> <li>1. Traditional service counters</li> <li>2. <i>Amil</i></li> </ol>	<ol style="list-style-type: none"> <li>1. Bank Islam</li> <li>2. Maybank2u</li> <li>3. CIMB Clicks</li> <li>4. iRakyat</li> <li>5. RHB Bank</li> <li>6. Affin Islamic</li> <li>7. AmBank Group</li> <li>8. Public Bank Berhad</li> <li>9. Standard Chartered</li> <li>10. Agro Bank</li> <li>11. Bank Simpanan Nasional</li> <li>12. Bank Muamalat</li> </ol>	<ol style="list-style-type: none"> <li>1. Bank Islam</li> <li>2. Maybank2u</li> <li>3. CIMB Clicks</li> <li>4. RHB Bank</li> <li>5. Affin Islamic</li> <li>6. AmBank Group</li> <li>7. Public Bank Berhad</li> <li>8. Standard Chartered</li> <li>9. Agro Bank</li> <li>10. Bank Muamalat</li> </ol>	<ol style="list-style-type: none"> <li>1. GoPayz (apps)</li> <li>2. Pos Online (portal)</li> <li>3. MYeG</li> <li>4. Zakat Pahang (PKZP's portal)</li> <li>5. SnapNPay (apps)</li> <li>6. Pahang Go (apps)</li> </ol>
Sarawak	<ol style="list-style-type: none"> <li>1. Traditional service counters</li> <li>2. <i>790 Amil</i></li> </ol>			<ol style="list-style-type: none"> <li>1. Baitulmal Kamek (portal)</li> </ol>
Selangor	<ol style="list-style-type: none"> <li>1. <i>Amil</i> at mosque</li> </ol>	<ol style="list-style-type: none"> <li>1. Bank Islam</li> <li>2. Maybank2u</li> <li>3. CIMB Clicks</li> <li>4. iRakyat</li> <li>5. RHB Bank</li> <li>6. OCBC</li> <li>7. AmBank Group</li> </ol>	<ol style="list-style-type: none"> <li>1. Bank Islam</li> <li>2. Maybank2u</li> <li>3. CIMB Clicks</li> <li>4. RHB Bank</li> <li>5. OCBC</li> <li>6. AmBank Group</li> </ol>	<ol style="list-style-type: none"> <li>1. GoPayz (apps)</li> <li>2. Pos Online (portal)</li> <li>3. Boost (portal &amp; apps)</li> </ol>

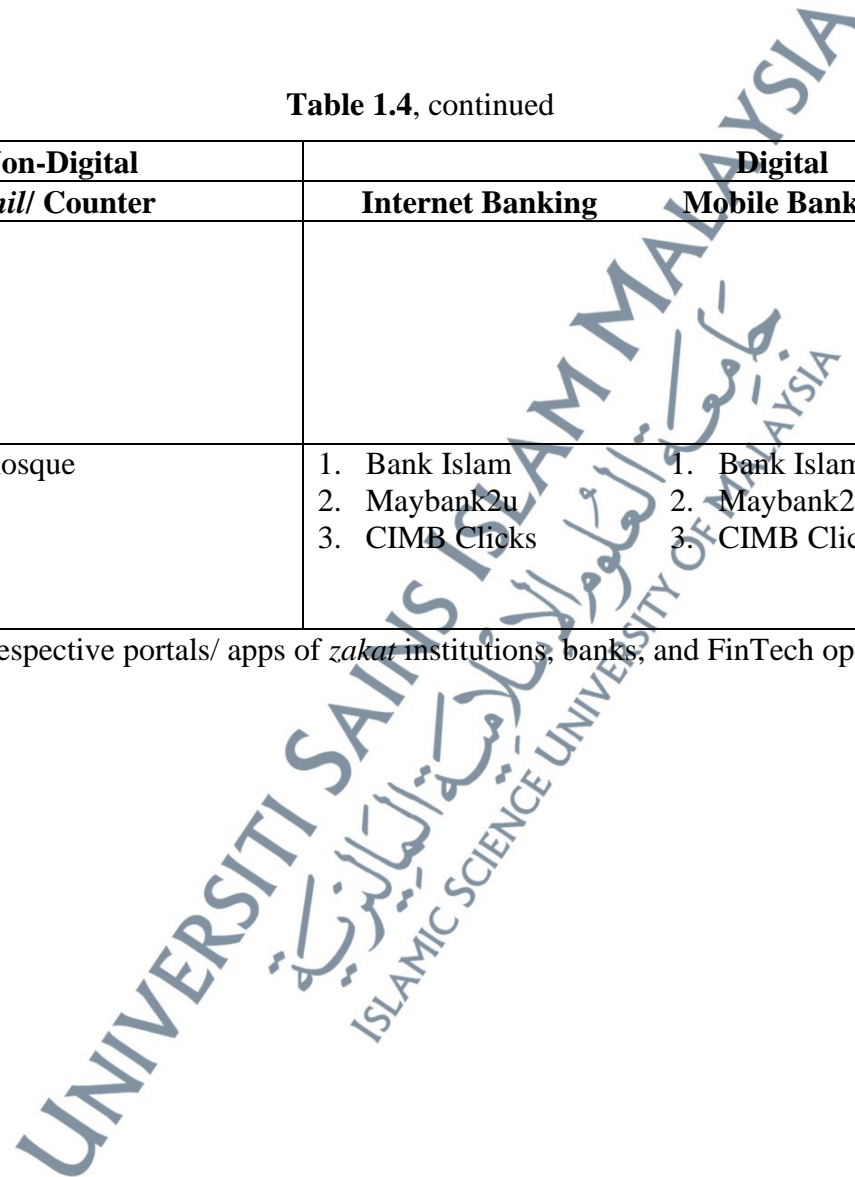
Table 1.4, continued

State	Non-Digital <i>Amil/ Counter</i>	Digital		
		Internet Banking	Mobile Banking	Mobile Payment
		8. Public Bank Berhad 9. HSBC	7. Public Bank Berhad 8. HSBC	4. MyEG 5. eZakat Pay (LZS's portal)
Malacca	1. Traditional counter service 1500 <i>Amil</i>	1. Maybank2u 2. DuitNow a) Bank Islam b) Maybank2u c) CIMB Clicks d) iRakyat e) RHB Bank f) AmBank Group g) Public Bank Berhad h) HSBC i) Agro Bank j) Hong Leong Bank k) Bank Muamalat l) Bank Simpanan Nasional	1. Maybank2u	1. eBayar Melaka (portal)
Negeri Sembilan	1. Traditional service counters 2. <i>Amil</i> at mosque	1. JomPay	1. JomPay	1. MyEG

Table 1.4, continued

State	Non-Digital	Digital		
	<i>Amil</i> / Counter	Internet Banking	Mobile Banking	Mobile Payment
				2. SnapNPay (apps) 3. MAINS (portal & apps)
Perlis	1. <i>Amil</i> at mosque	1. Bank Islam 2. Maybank2u 3. CIMB Clicks	1. Bank Islam 2. Maybank2u 3. CIMB Clicks	1. SnapNPay (apps) 2. MAIPS (portal)

Sources: Respective portals/ apps of *zakat* institutions, banks, and FinTech operators (updated on 14 October 2022)



The Solow Growth Model posits that technological progress is a key driver of economic growth and productivity. In this context, the advancement of technology, including the adoption of digital payment methods by *zakat* institutions, contributes to increased efficiency and effectiveness in collecting *Zakat al-Fitr*. This, in turn, can lead to higher output and economic growth, as suggested by Vardomatskya et al. (2021). Similarly, Schumpeter's theory of development emphasizes the role of innovation and technological change in fostering economic development (Jaeger, 2018).

The adoption of technology, such as digital payment by *zakat* institutions reflects innovation in the collection process allowing *muzakki* to choose which *zakat* institution to pay and which rate is their affordable (according to the type of rice). The findings of Paizin et al. (2022) support this notion, indicating that technology has indeed facilitated an increase in the collection of *zakat* in Malaysia.

### 1.3 Problem Statement

*Zakat al-Fitr* needs to be collected and distributed only during Ramadhan. An efficient mechanism is needed. Thus, a smooth delivery system which started collecting from the *muzakki* until distributing to the needy would help expedite the transaction. Started collecting the contribution on first day of Ramadhan, *Zakat al-Fitr* need to be distributed within the next 28 to 29 days. As most *muzakki* in Malaysia paying their *Zakat al-Fitr*, a big amount of money needs to be managed. Therefore, a modern technology is needed to manage the *Zakat al-Fitr* (Tafsiruddin, 2020). Mohd Nor et al. (2021) are also agreed that the technology will improve the management in term of efficiency in collecting and distributing. Indeed, the traditional practice of paying *Zakat al-Fitr* directly to the *amil* has been deeply ingrained in Malaysian Muslim culture. Therefore, observing the shift towards using and adopting technology in paying

religious contributions such as *Zakat al-Fitr* is essential. This transition involves encouraging individuals to embrace digital payment methods for *zakat* contributions.

The study by K. Ahmad & Yahaya (2023) highlighted the issue of *zakat* distribution faced by *zakat* institutions in Malaysia, as *muzakki* seek confirmation that their contributions have reached the *asnaf*. This concern is supported by previous studies Mohd Hussin et al. (2017), Mohd Tahir et al. (2016), Muhammad, et al. (2015), Mohd Hussin et al. (2013) and Ahmad et al. (2006) which identified leakages in *Zakat al-Fitr* due to individuals preferring to donate directly to the *asnaf*. However, research by Paizin et al. (2022) found that the adoption of technology in *zakat* collection by the *Zakat* Collection Centre (PPZ) of MAIWP has resulted in increased collection amounts. Furthermore, a study in Indonesia by Antonio et al. (2020) revealed that *muzakki* are more inclined to contribute to *zakat* institutions that transparently manage funds. Ibrahim (2020a) also highlighted the positive impact of technological advancements on *zakat* collection over time. Additionally, Tafsiruddin (2020) stressed the importance of Muslims adopting modern *zakat* management practices, including the use of digital payment, to enhance efficiency, moving away from the conventional method of paying directly to the *amil*. These findings collectively suggest the potential of technology, transparency, and modern management practices in improving *zakat* collection and distribution processes.

Indeed, while the mechanism of digital payment for *Zakat al-Fitr* is promising, not everyone may be prepared to use it (Kasri & Sosianti, 2023). Conducting research to study the behaviour of *muzakki* regarding the use of digital payment in managing *Zakat al-Fitr* is essential. Getting feedback would help to understand the *muzakki*'s perception towards using technology in applying digital payment for *Zakat al-Fitr* (Nordin et al., 2021). This study would provide insights into *the* feedback of a sample

of *muzakki* on their usage of digital transactions for paying *Zakat al-Fitr* (Siraj et al., 2022). Certain individuals may prefer conventional methods of payment (Tawang et al., 2020). However, due to their busy schedules or overwhelming commitments, they may encounter challenges in meeting the *amil* to make their payment, especially when they need to pay at the last minute. Good explanation may encourage them to try contributing via digital payment (Bin-Nashwan, Shah, et al., 2023). Others may encounter difficulties in using technology due to a reluctance to engage with digital interfaces for financial transactions (Gong, 2020).

The insights gained from studying the behaviour of Muslims regarding the use and acceptance of digital payment can indeed be crucial in promoting adoption, particularly concerning religious obligations such as *Zakat al-Fitr* (Sunarsih et al., 2023). For instance, research indicates that Malaysians, including *muzakki*, actively seek information on paying *Zakat al-Fitr* digitally through zakat institutions' social media platforms, demonstrating their trust in the online system (Abdullah et al., 2023). Additionally, technology plays a significant role in promoting the use of digital transactions and disseminating new information to *muzakki*, as revealed by Paizin (2022). Consequently, feedback from users can assist *zakat* institutions in promoting digital payment methods and rectifying past mistakes, such as the failure to actively promote *zakat* through their respective online portals (Ibrahim, 2014). By incorporating user feedback and leveraging technology effectively, *zakat* institutions can enhance their digital payment systems, thereby facilitating easier and more accessible methods for fulfilling religious obligations like *Zakat al-Fitr*.

Introducing a new digital initiative to the public requires considerable effort to encourage participation and adoption. Previous studies have highlighted the digital divide across different age groups, with older individuals often facing challenges in

adopting new technologies (Anshari et al., 2021). Additionally, new technologies such as digital payment often come with unique features that require users to acquire additional knowledge, influencing their behavioral intention to use it (Alwi et al., 2021). Therefore, it is crucial to develop user-friendly and secure apps to address these challenges (Gong, 2020). While younger generations are typically more adept at using new technology (Anshari et al., 2021), research on mobile apps suggests that they have high expectations and can be selective and disappointed if an app does not meet their standards (Carter & Yeo, 2016). Thus, users of all ages expect new technologies to be excellent and easy to use. Therefore, *zakat* institutions must ensure that its digital payment is user-friendly, as complex navigation could deter *Zakat al-Fitr* payers from using it.

Based on previous studies, there were a lot of determining factors influencing users to use and adopt digital payment. Research on Islamic internet banking in Malaysia by H. Mohd Thas et al. (2022) indicated that facilitating conditions significantly affect the behavioural intention to adopt the technology. In Indonesia, a study on digital *zakat* collection revealed that facilitating conditions is also positively influence the behavioural intention to use the technology (Kasri & Yuniar, 2021). Past research in developing countries, such as Indonesia and Pakistan, showed that social influence strongly correlates with Islamic mobile banking (R. S. Johar & D. Suhartanto, 2019; Samsudeen et al., 2022). The study by Bin-Nashwan et al. (2023) found that performance expectancy played a significant role in influencing Muslims in Saudi Arabia and Egypt to digitally pay *zakat*. Therefore, understanding the determinant factors will help to know on how Muslims in Malaysia perceive toward digital payment.

Given the constraints imposed by COVID-19, people are increasingly turning to technology for making payments, as it simplifies routine transactions during this

challenging period (Alwi et al., 2021). Apart from avoiding direct contact and long queues, users are finding that digital transactions can fundamentally alter their way of life. The adoption of digital transactions for paying *zakat* has been observed in countries like Saudi Arabia and Egypt due to the pandemic (Bin-Nashwan, Ismaiel, et al., 2023). The trend of individuals in Malaysia preferring internet banking and mobile payment methods for *Zakat al-Fitr* payments, especially through the official websites of *zakat* institutions, underscores the significance of digital channels, particularly amidst the COVID-19 pandemic (Ismail et al., 2020). However, Tawang et al. (2020) discovered that Muslims in Johor Bahru, Johor expressed the lowest desire for paying *Zakat al-Fitr* digitally post-pandemic. To obtain feedback from Muslims in other states of Malaysia, further research or surveys would be necessary.

Conducting acceptance tests and gathering consumer feedback on the usability of technology are crucial steps to ensure that it meets users' needs and expectations. This feedback helps identify any usability issues or challenges and informs improvements to enhance the overall user experience. By prioritizing user-friendly design and ease of use, *zakat* institutions can increase the adoption and effectiveness of digital payment for *Zakat al-Fitr* collection. Therefore, it is vital to investigate the factors influencing Muslims' acceptance of digitally paying *Zakat al-Fitr*. While previous studies may have examined similar phenomena in varying contexts, this research contributes to enriching the current understanding of the subject matter. This research can shed light on the intersection of technology and religious obligations, providing insights into how Muslims adapt to and utilize technological advancements in their spiritual and charitable activities. By understanding these factors, *zakat* institutions can tailor their digital payment solutions to better meet the needs and

preferences of their users, ultimately enhancing the efficiency and effectiveness of *Zakat al-Fitr* collection processes.

#### 1.4 Research Questions

The main questions of this study are:

RQ1: What are the factors that influencing *muzakki* on using digital payment for *Zakat al-Fitr*?

RQ2: Which framework is suitable to evaluate *muzakki*'s acceptance on using digital payment for *Zakat al-Fitr*?

RQ3: What is the acceptance level of *muzakki* on using digital payment for *Zakat al-Fitr*?

#### 1.5 Objectives of the Study

##### 1.5.1 Main Objective

This study identifies the determinant factors that influencing *muzakki* on using digital payment for *Zakat al-Fitr*.

##### 1.5.2 Sub-objectives

RO1: To identify the factors that influence *muzakki* using digital payment for *Zakat al-Fitr*.

RO2: To analyse the determinants of behavioural intention on using digital payment for *Zakat al-Fitr*.

RO3: To examine the acceptance level of government servants in Putrajaya using digital payment for *Zakat al-Fitr*.

## 1.6 Significance of the Study

This study offers substantial input on intention to use of digital payment for religious matters like paying *Zakat al-Fitr*. The study is expected to give some revelation to various parties which bring betterment of Ummah. Some of the significances of study are as follows:

- i. The study would identify determinant factors for Muslims in Putrajaya on paying *Zakat al-Fitr* digitally. Knowing the determinant factors will help various stakeholders like *zakat* institutions and digital payment operators improvising the mechanism of digital payment according to the needs of users.
- ii. Furthermore, several determinant factors may form any existing theory or model of adopting technology or creating a new one. Some theories or models on studying the adoption of technology like the Theory of Planned Behaviour (TPB), the Technology Acceptance Model (TAM) and The Unified Theory of Acceptance and Use of Technology (UTAUT) would give various options of framework for this study. Finding of the study is expected to reveal the suitable framework which may give some reference to others to duplicate. Therefore, it is important to test the variables to justify the framework as a good predictor. This can become a small contribution to the body of knowledge.
- iii. The population of this study, which is government servants in Putrajaya would bring some insight on understanding the phenomena including the level of acceptance. This study would create generalisability on similar study on the phenomena of *Zakat al-Fitr* which conducted with different context including population like Sulaeman & Ninglasari (2020), Kasri & Yuniar (2021), Idria Maita et al.(2021) and Kasri & Sosianti (2023).

## 1.7 Scope of the Study

Putrajaya has a population of approximately 109,202 people which 97.2% are Muslims, indicating a predominantly Muslim community and 60.6% of the population is actively employed, indicating a significant portion of working individuals within the area (Department of Statistics Malaysia, 2023)

In Malaysia, the remuneration of government servants is guaranteed by the government in accordance with the Appointment, Promotion, and Termination of Service Regulations 2012 (Jabatan Perkhidmatan Awam, 2012). This regulation ensures that government employees receive fair and competitive remuneration for their services. The determination of the rate of salary for government servants encompasses both fixed components, which form the core of the salary structure, and variable components, which may include allowances, bonuses, or other incentives aimed at providing a reasonable income to support basic needs (Jabatan Perkhidmatan Awam, 2024). Furthermore, Mokhtar & Abd Rahim (2017) revealed that working environment in public sectors had positively affect the financial well-being of government servants.

Indeed, the characteristics of government servants in Malaysia, including the guaranteed remuneration provided by the government and the inclusion of fixed and variable components in their salary structures, justify that they have sufficient income to prepare meals for Eid al-Fitr. As such, government servants fulfil the criteria to contribute to Zakat al-Fitr. Furthermore, government servants have more understanding and exposure towards ongoing government initiatives and directions (Mokhtar & Abd Rahim, 2017). Therefore, government servants shall understand the digitalization in zakat management and can effort to make small contribution as Zakat al-Fitr. Therefore, this study is constraint to the Muslim's government who fulfil the criteria under Appointment, Promotion, and Termination of Service Regulations 2012. Neither

personel who works under statutory body nor contractor's worker who incharge with government building nor seller who renting space in the government building can become the sample. Other who may work in the government office like personnel working under a statutory body, contractors' workers responsible for government buildings, and sellers renting space in government buildings or retiree are not eligible to be included as samples in this study.

Putrajaya is the administrative capital of Malaysia. Based on the data from Public Service Department (JPA), in Putrajaya, there are 149 organizations including ministries and government departments consists of 70,577 civil servants (Ramli, 2022). Therefore, there are a lot of civil servants working in Putrajaya. According to Malaysian Communications and Multimedia Commission (MCMC) (2021), internet penetration in federal territories including Putrajaya was higher than national average. Gong (2020) revealed that internet infrastructure and coverage in Putrajaya ranks among the best in Malaysia influencing the rate of penetration. Furthermore, based on the *Zakat al-Fitr* payment methods listed in Table 1.3, MAIWP provides both traditional and digital payment. Citizens and workers in Federal Territory of Putrajaya are also enjoying the declaration of Shariah-compliant towards online payment transactions by MAIWP (Pejabat Mufti Wilayah Persekutuan, 2022). Thus, Zakat al-Fitr payers in Putrajaya may be more likely to use one of several digital payment modes available. Therefore, this study is only limited to the government servants who their office or serves in Putrajaya. Those who is residing but not working in Putrajaya is excluded.

Hence, the phenomena of this study focusing on payment of Zakat al-Fitr, which has specific characteristics like must be paid during Ramadhan that differ with other. Given these demographics, focusing on government servants in Putrajaya, as the sample of muzakki, provides a specific and relevant target population for the research. As

government servants are likely to have stable income sources and may be subject to specific regulations regarding Zakat al-Fitr contributions, studying this group can yield valuable insights into the factors influencing the acceptance and adoption of digital payment methods for Zakat al-Fitr in Malaysia. Additionally, the high proportion of Muslims in Putrajaya ensures that the research sample is representative of the target demographic for this religious obligation. However, the study may not represent the Malaysian population as it excludes those of other professions, demography, and areas. The excluded group may have different culture, education, income, religiosity, exposure, and infrastructure. Therefore, it is recommended to replicate the study with a different subject, like other Islamic finance modes, or method, like location, to permit generalisability.

## 1.8 Conceptual and Operational Definitions

### 1.8.1 Zakat al-Fitr

The below *Hadith* well explains the obligatory for the Muslims to pay *Zakat al-Fitr* (Mahmuddin et al., 2020):

حَدَّثَنَا يَحْيَى بْنُ مُحَمَّدِ بْنِ السَّكَنِ، حَدَّثَنَا مُحَمَّدُ بْنُ جَهْضَمٍ، حَدَّثَنَا إِسْمَاعِيلُ بْنُ جَعْفَرٍ، عَنْ عُمَرَ بْنِ نَافِعٍ، عَنْ أَبِيهِ، عَنْ ابْنِ عُمَرَ - رَضِيَ اللَّهُ عَنْهُمَا - قَالَ فَرَضَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ زَكَاةَ الْفِطْرِ صَاعًا مِنْ تَمْرٍ، أَوْ صَاعًا مِنْ شَعِيرٍ عَلَى الْعَبْدِ وَالْحُرِّ، وَالذَّكَرِ وَالْأُنْثَى، وَالصَّغِيرِ وَالْكَبِيرِ مِنَ الْمُسْلِمِينَ، وَأَمَرَ بِهَا أَنْ تُؤَدَّى قَبْلَ خُرُوجِ النَّاسِ إِلَى الصَّلَاةِ.

#### **Narrated Ibnu Umar:**

Allah's Messenger (ﷺ) enjoined the payment of one *Sa'* of dates or one *Sa'* of barley as *zakat fitrah* on every enslaved Muslim or free, male, or female, young, or old, and he ordered people to pay before went out for the *'Id* prayer. (Hadith. Sahih al-Bukhari. #1503)

*Zakat al-Fitr* needs to pay by everyone who lives in *Ramadhan* and has sufficient food for *Eid al-Fitr* (Tafsiruddin, 2020), which in Malaysia paid in the currency of *Ringgit Malaysia* by equalling the weight of a *gantang* of rice (2.6 / 2.7 kg) (Ab Rahman et al., 2015). The responsible party needs to distribute this contribution to the *asnaf* and needy to celebrate *Eid al-Fitr* (Mahmuddin et al., 2020).

Furthermore, Mahmuddin et al. (2020) explained the importance of paying the *Zakat al-Fitr* as early as possible based referring to this *Hadith*:

حَدَّثَنَا أَبُو التُّعْمَانِ، حَدَّثَنَا حَمَّادُ بْنُ زَيْدٍ، حَدَّثَنَا أَيُّوبُ، عَنْ نَافِعٍ، عَنِ ابْنِ عُمَرَ . رَضِيَ اللَّهُ عَنْهُمَا . قَالَ  
فَرَضَ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ صَدَقَةَ الْفِطْرِ . أَوْ قَالَ رَمَضَانَ . عَلَى الذَّكَرِ وَالْأُنثَى ، وَالْحُرِّ وَالْمَمْلُوكِ ، صَاعًا  
مِنْ تَمْرٍ أَوْ صَاعًا مِنْ شَعِيرٍ ، فَعَدَلَ النَّاسُ بِهِ نِصْفَ صَاعٍ مِنْ بُرٍّ . فَكَانَ ابْنُ عُمَرَ . رَضِيَ اللَّهُ عَنْهُمَا . يُعْطِي  
التَّمْرَ ، فَأَعْوَزَ أَهْلُ الْمَدِينَةِ مِنَ التَّمْرِ فَأَعْطَى شَعِيرًا ، فَكَانَ ابْنُ عُمَرَ يُعْطِي عَنِ الصَّغِيرِ وَالْكَبِيرِ ، حَتَّى إِنْ  
كَانَ يُعْطِي عَنْ بَنِيٍّ ، وَكَانَ ابْنُ عُمَرَ . رَضِيَ اللَّهُ عَنْهُمَا . يُعْطِيهَا الَّذِينَ يَقْبَلُونَهَا ، وَكَانُوا يُعْطُونَ قَبْلَ الْفِطْرِ  
يَوْمٍ أَوْ يَوْمَيْنِ .

#### **Narrated Nafi` :**

Ibnu Umar said, “The Prophet (ﷺ) made incumbent on every male or female, free man or slave, the payment of one *Sa`* of dates or barley as *Sadaqat-ul-Fitr* (or said *Sadaqa-Ramadan*).” The people then substituted half *Sa`* of wheat for that. Ibnu Umar used to give dates (as *Sadaqat-ul-Fitr*). Once there was a scarcity of dates in Medina, Ibnu Umar gave barley. ‘And Ibnu Umar used to give *Sadaqat-ul-Fitr* for every young and old person. He even used to give on behalf of Rasullah’s children. Ibnu Umar used to provide *Sadaqat-ul-Fitr* to the official collector. People used to give *Sadaqat-ul-Fitr* (even) a day or two before the `Id. (Hadith. Sahih al-Bukhari. #1511)

### **1.8.2 Digital Payment**

FinTech which is financial technology is a digital technology that uses software or hardware to connect or present financial services to a user, consumer, or business-to-

business (B2B) client (Schueffel, 2016). The innovations vary, ranging from digital payment, budgeting apps, Robo-advisor, crowdfunding, insurance technology (InsurTech), regulatory technology (RegTech), to blockchain and cryptocurrency (Hemmen, 2019).

Digital payment, as defined by Bandura & Ramanujam (2021), refers to cashless transactions between parties using electronic devices. In Malaysia, there are three primary channels of payment: mobile payments, mobile banking, and internet banking (Bank Negara Malaysia, 2024). These channels allowing individuals to conduct digital payment. Both mobile and internet banking provide users with the convenience of accessing online banking services, eliminating the need to visit a physical bank branch. However, internet banking can accessed through a web browser on a computer or laptop, while mobile banking accessing banking services through dedicated mobile applications (apps) installed on smartphones or tablets (Bank Negara Malaysia, 2024). Indeed, mobile payment utilize various contactless technologies to facilitate transactions through mobile devices like SMS (Short Message Service), NFC (Near Field Communication) and QR (Quick Response) (de Luna et al., 2019).

### **1.8.3 Acceptance Level**

The Theory of Reasoned Action (TRA) by Fishbein and Ajzen (1975) and the Theory of Planned Behaviour (TPB) by Ajzen (1985) explain the relationship between human attitude, behaviour and intention (Darmansyah et al., 2020). Darmansyah et al. (2020) mentioned that TPB is an extension of TRA, highlighting that attitudes, subjective norms, and behavioural control influence behavioural intention (BI). An individual's intention is critical to accept or reject anything based on multiple factors

(Ali et al., 2021). BI embraces something based on several factors (Alkhaldi & Kharma, 2019) that come with willingness (Raza et al., 2019).

Fred D. Davis (1985) introduced the Technology Acceptance Model (TAM) to determine the intention and acceptance behaviour of the technology's user by extending the framework of TRA (Mohd Nor et al., 2021). Then, Viswanath Venkatesh et al. (2003) formulated UTAUT as an extension of TAM on explaining user intentions and usage behaviour towards information technology based on four core determinants and four moderators (Jadil et al., 2021). The four variables are effort expectancy, performance expectancy, social influence and facilitating conditions, and the moderators are gender, age, experience and voluntariness of use (Engku Abdullah et al., 2018; Alkhaldi & Kharma, 2019).

Alkhaldi & Kharma (2019) believed that UTAUT is a comprehensive, unified theory since it covers several variables without replicating, which developed from eight different models: TRA, TPB, TAM, Social Cognitive Theory (SCT), Innovation Diffusion Theory (IDT), the Model of PC Utilization (MPCU), the Combined TPB and TAM (C-TPB-TAM), and the Motivational Model (MM).

## 1.9 Thesis Organisation

Chapter 2 reviews the determinant factors and acceptance model of the digital payment on *Zakat al-Fitr*. Past studies were referred to develop the hypotheses. Scholars highlight the importance of swift collection and distribution of *Zakat al-Fitr* during Ramadan. Chapter 3 explains the research design and methodology. The study employed the quantitative approach by using questionnaires. Government servants in Putrajaya were the population of the study. Chapter 4 presents the result of the data analysis. The data were analysed using SmartPLS version 4 (Ringle et al., 2022).

Finally, the findings are discussed in Chapter 5. Some recommendations were proposed to related parties, such as *zakat* institutions and FinTech providers, and fellow researchers. The chapter ends with a summary of the research.

### 1.10 Conclusion

*Zakat al-Fitr* is compulsory alms giving during Ramadhan. An efficient system of *zakat* management, from the collecting to distributing is essential. Hence, issues like leakage and COVID-19 may impede the implementation. Therefore, an alternative mechanism besides existing traditional method which is collecting through *amil* needs to be explored. Using digital payment may become the alternative.

All *zakat* institutions in Malaysia start to embrace digital transaction as the mode of *zakat* payment. Some of the modes like mobile payment may be new to the certain users especially for the purpose of paying religious payment like *Zakat al-Fitr*. Therefore, the readiness of Muslims in Malaysia to use and adopt need to be studied.

This research studies the acceptance of Muslims in Malaysia digitally paying the *Zakat al-Fitr*. Factor influencing users to adopt technology needs to be identified before examines the real determinant factors. Government servants in Putrajaya were the sample and location of study. As government servants earn enough money for the needs and expose in digitalization are the reasons them to be chosen as the sample. While the location of the study was in Putrajaya since Putrajaya has among the best internet infrastructure in Malaysia and MAIWP, the *zakat* institution, offered several modes of *Shariah* compliant digital payment for *Zakat al-Fitr*.