

A Comparative Evaluation of Zakat Management Systems: Lessons from the Malaysian Model and Challenges in Bangladesh

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Abstract:

Eliminating extreme poverty and hunger is a top 21st-century global concern. While *Zakat*—an Islamic obligation—proved effective in the past, its current fragmented and inefficient implementation renders it unsuitable for sustaining a modern economy. The proposed paper will entail a comparative evaluation of *Zakat* management in Malaysia and Bangladesh, based on governance, institutional performance, and performance in development. It elucidates that a direction of *Zakat* is a plan of socio-economic growth. It is grounded on a qualitative comparative case study approach to the study, paying attention to policy documents, institutional reports, and Islamic literature. Regulatory frameworks, operational transparency, and the incorporation of digital and financial innovation are the specific areas of the analysis. The main findings indicate that the centralized, state-managed system in Malaysia, reinforced by strong legal forces and digitalization, has been effective in making *Zakat* a powerful tool of inclusive development. On the other hand, Bangladesh has quite decentralized and informal practices, with weak regulation and fractured, incomplete adoption of technology, which significantly limit its influence on development. The research contributes to a governance-based comparative institutional framework by offering policy-relevant recommendations to rebrand *Zakat* as a sustainable poverty-reduction and development instrument.

Keywords: Comparative analysis, Islamic social finance, management systems, poverty alleviation, sustainable development, and Zakat governance.

Introduction

Despite the international development efforts, poverty has remained a key issue in the world, and millions of people still lack access to basic needs, and human dignity has been compromised. By recognizing the multidimensionality of poverty, the United Nations shifted its efforts from the Millennium Development Goals (MDGs) to the Sustainable Development Goals (SDGs)—the more inclusive and integrated approach to address poverty and hunger (Nations, 2022). These international frameworks recognize that effective poverty reduction cannot be achieved without both economic and institutional processes and mechanisms, as well as social and ethical processes and mechanisms that are sensitive to localities.

In the context of global development, *Zakat* is an exclusive Islamic socio-economic institution that can work wonders in solving poverty and enhancing social justice. As one of the five pillars of Islam, *Zakat* is not a voluntary system of charity but an obligatory system of wealth redistribution. According to the principles of Maqasid al-Shariah (the greater goals of Islamic law), *Zakat* serves to safeguard the fundamental human interests: religion, life, intellect, family, dignity, and prosperity. *Zakat* is a spiritual, economic, and social instrument that can be used to encourage equity, responsibility, and social cohesion among Muslim populations because of a well-designed redistribution program.

Traditionally, *Zakat*, as a poverty-relief program, has proven to be effective when Caliph Umar bin Abdul Aziz took over the kingdom and organized and implemented a *Zakat* system to eradicate extreme poverty (Andersson, 2013). This historical figure has inspired modern Muslim-majority nations to institutionalize *Zakat* management. Malaysia is frequently referred to as a model of one of these, as it has a comparatively well-organized, state-managed *Zakat* management system. *Zakat* in Malaysia is administered by a state-level Islamic religious organization that oversees the collection and disbursement of funds to eight eligible beneficiary groups (*asnaf*), such as the poor and the needy (Ahmad & Marhaini, 2012). The other empirical research implies that the Malaysian *Zakat* model has contributed to higher living standards of beneficiaries, the creation of microenterprises, and social mobility (Hassan et al., 2024). However, inefficiencies in the work of the system, unequal performance of the states, the absence of coordination between the institutions, and the ignorance of the population remain.

Bangladesh, on the other hand, though with a sizeable Muslim population and high *Zakat* potential, has not been able to establish a total and institutionalized *Zakat* management system. *Zakat* collection and distribution in Bangladesh remain informal and divided and thus do not cover much area. The management system is not transparent and does not have significant developmental impact (Miah, 2021). The lack of a unified regulatory body and centralized administration and control systems

has hampered *Zakat's* capacity to serve as an effective tool for sustainably alleviating poverty.

On this basis, this paper will conduct a comparative analysis of the Zakat management systems in Bangladesh and Malaysia. Through a critical analysis of the institutional framework, operational modes, and governance of the Malaysian model, and by comparing them with the problems encountered in Bangladesh, the research will seek to identify lessons that can be transferred and insights for policymakers. Lastly, the paper will also show how an effectively run Zakat system can lead to sustainable development and social justice within the framework of Sustainable Development Goals.

Research Problem and Objectives.

Research Problem

Although Zakat is technically a powerful instrument for curbing poverty, its effectiveness in practice varies widely across diverse governance models. The system is very centralized and controlled by the state in Malaysia, but it has issues with long-term sustainability and computer integration for digital payment systems, databases, and fintech-based Zakat governance. On the other hand, Bangladesh has enormous Zakat potential (estimated at a major percentage of GDP), although the system is unintegrated, informal, and non-institutionalized, which results in inefficient flow and vicious circles of charities. It lacks comparative frameworks to know how the strengths of a centralized model (Malaysia) can be used to reform a decentralized one (Bangladesh) to realize Sustainable Development Goals (SDGs) in the latter.

Research Objectives

To assess the differences in centralization of the Zakat administration in Malaysia and the decentralized system in Bangladesh.

To examine how the existing Zakat mechanisms of distribution affect multi-dimensional poverty reduction in the two countries.

To discover institutional, technological, and socio-legal challenges that do not allow Zakat to become a sustainable development tool.

To suggest a policy framework in Bangladesh with reference to the Malaysian model of best practices.

Scope of the Study

Temporal: The research paper will focus on information and publications from the recent past (2015–2025) that depict the transition to digitalization and the post-pandemic economic recovery.

Spatial: A comparative study with particular reference to the Federal Territory (Kuala Lumpur/Selangor) in Malaysia and the Dhaka Division in Bangladesh as the main centers of Zakat activity.

Thematic: Narrowed down to the convergence of Islamic social finance, poverty alleviation (SDG 1), and institutional governance.

Research Methodology

The study employed a qualitative and interpretive policy analysis research design.

3.1 Justification

The research design used in this study is qualitative, conceptual, and policy-based. The selection of a qualitative research methodology is reasonable, as the study aims to answer the question of how and why institutional performance and the socio-religious nuances of *Zakat* cannot be explained solely by statistical modeling. It uses an interpretive paradigm to examine structural issues such as popular trust, implementation barriers, and the consistency of practices with the *Maqasid al-Shariah* (Objectives of Islamic Law).

Theoretical Framework

The working model is based on the concepts of Islamic economics, i.e., *Tawhid* (Oneness of God), *Adl* (Justice), and *Maslaha* (Public Interest). The paper offers analytical recoveries of the modern practices based on the arguments of classical and modern Islamic jurisprudence as by Imam Abu Yusuf (d. 798 CE), Abu Ubaid al-Qasim ibn Sallam (d. 838 CE), and Yusuf al-Qaradawi. Thus, it provides a philosophical basis for evaluating the performance of institutional Zakat management in meeting its religious and socio-economic mandate.

Comparative Criteria and Tools

The paper utilizes a comparative institutional analysis to compare the two systems using the following specific attributes:

System of governance: centralization on a state level (Malaysia) and informal decentralization (Bangladesh).

Collection and Disbursement Efficiency: Evaluation of Administrative Bottlenecks, including end-of-year congestion and bureaucratic stalling.

Asnaf (Recipient) Trends in the allocation: The trend in the balance or lack thereof in the funding of the eight categories, where emphasis is made on empowerment-based and consumption-based assistance.

Transparency and Public Satisfaction: Measuring the perceived integrity of Zakat institutions and its impact on trust deficit.

3.4 Data Sources and Synthesis

This study employs secondary data as the main method of data collection, as opposed to the primary data collection method, to give a longitudinal and wide-angle perspective. The data collection tools are

Official Reports: Yearly compilation and distribution of data of organizations such as Lembaga Zakat Selangor (LZS) and the Bangladesh Zakat Board.

Academic Literature: A systematic search of peer-reviewed articles and case studies (Mustafida et al., 2020) about the satisfaction rate of *Muzakki* (payers) and *Asnaf* (recipients).

Policy Documents: Zakat government policy in the form of white papers and religious decrees (Fatwas) on the practice.

Case selection: Empirical Cases.

The methodology contains purposive case illustrations to mediate the gap between theory and practice.

In Malaysia, Lembaga Zakat Selangor's economic development programs are a success case of human capital development.

A case study of the socio-economic effects of broken systems, including low outreach and the so-called charity trap, in Bangladesh: The "Informality Case."

Scope and Limitations

The analysis is based on the institutional-level analysis. Although it takes into account the stance of individual recipients, the primary concern is the success of the Zakat system as an organization. The spatial constraint uses the Malaysian state-level model as a reference for possible policy changes in the Bangladeshi national environment.

Literature Review

Poverty and the Institutionalized Poverty: An Islamic-Institutional Approach

Traditional mainstream development economics has defined poverty in terms of income-based income levels, including the global poverty line of USD 1.90/day (Chen & Ravallion, 2010). Even though this provides comparability, critical scholarship claims that they do not sufficiently represent the multidimensionality of deprivation, particularly those aspects of deprivation in respect to dignity, agency, and social exclusion (Hill & Adrangi, 1999). This weakness is more eminent in the society whose moral, institutional, and community systems are core in the welfare provision.

In Islamic terms, poverty is not just material inadequacy but a failure of distributive justice (*Adl*) at the local level. Based on the *Maqasid al-Shariah*, poverty is a lack of the means to afford the five necessities of religion, life, intellect, lineage, and property. Other thinkers, such as Shah Waliullah Dehlawi, still considered extreme poverty as a political and social threat that adversely influences societal inclusion and the upholding of moral order. In this framework, Zakat would have to be reviewed as not only a redistributive tool but also as an institutional tool that can deal with structural poverty.

The implications of the analysis: This suggests that Zakat can be effective even when its doctrinal basis is questionable, relying more on institutional practice through governance structures.

Zakat in Classical Islamic Political Economy and Modern Governance.

Classical Islamic jurists never imagined Zakat as a piecemeal charity but rather as a macro-institution within the state policy. The concept of a centralized taxation system introduced by Imam Abu Yusuf (d. 798 CE) to achieve justice, prevent

leakage, and balance the economy is still applicable in contemporary government-dominated Zakat systems. On the other hand, Abu 'Ubaid al-Qasim ibn Sallam (d. 838 CE) stressed circulation and local authority and warned against hoarding and elite expropriation.

Selective modifications of these models can be traced in modern Zakat systems. The centralized systems are efficiency, compliance, and scaling-based, and the decentralized approaches are proximity and voluntarism-based. Nonetheless, institutional maladjustment between the classical Zakat and contemporary governmental environments is becoming an increasing source of modern-day failures of Zakat instead of a theological inadequacy.

Analytical implication: Zakat was found to have a developmental potential that is contingent on the design of the institution rather than religious compulsion.

Comparative Institutional Literature: Malaysia and Bangladesh

Malaysia: Institutionalization, Efficiency, and New Constraints

The Malaysian Zakat regime is widely referred to as an example of institutionalization in Islamic social finance. Zakat institutions at the state level function on a statutory basis, combine Zakat with tax incentives, and are becoming more computer-integrated, here meaning digital payment systems, beneficiary databases, and Zakat systems using fintechs. According to empirical research, there are higher collection efficiency, greater transparency, and quantifiable effects on beneficiaries' livelihoods (Hassan et al., 2024; Mustafida et al., 2020).

Nevertheless, the critical literature leads to awareness of new problems: inequality in the performance of different countries, overloading the administrative system, displacement into the asnaf, and long-term risks of addiction (Hasan & Siraj, 2016; Rosele et al., 2024). Such arguments suggest that the developmental change is not assured by the strength of the institutions.

Bangladesh: Informality, Trust Deficit, and Missed Potential

Bangladesh, on the other hand, has loose and decentralized operations of Zakat. With the given potential, the collection of Zakat is described by the fact that it is quite individualized or NGO-oriented, and the state regulation does not play a significant role (Islam, 1999; Rahman, 2024b). Lack of a standard regulatory framework, standardized reporting, and digital infrastructure would not contribute to transparency and scalability.

Constant mistrust encourages donors to become direct donors, which reinforces the tendency toward relief due to its recurrent and immediate character and avoids the aggregation of practices aimed at reducing structural poverty (Uddin & Okur, 2023). Though NGOs have achieved local success, they lack national coordination and therefore cannot have systemic effects.

Synthesizing the Research Gap.

According to the reviewed literature, three gaps exist, which are connected with one another:

Governance Gap: Little comparative analysis based on the dynamics of institutional transfer of lessons of centralized institutional forms (Malaysia) to decentralized settings (Bangladesh).

Gapzin Methodological: Excessive use of quantitative or descriptive research, with a lack of qualitative institutional research.

Technological Disconnect: The lack of investigation into how digital and fintech-based governance may be employed to overcome the lack of trust and transparency. This paper will fill these gaps by adopting a comparative institutional approach that integrates Islamic political economy and modern governance analysis.

Analysis and Comparative Evaluation

Analytical Framework and Connection with Objectives of Research

The section directly talks to Research Objectives 1-4 by juxtaposing Malaysia and Bangladesh along four institutional dimensions, which include governance systems, collection and distribution efficiency, allocation priorities, and trust-building mechanisms. It analyzes differences in institutional design that affect Zakat's ability to serve as a sustainable development tool.

Governance Structure: Centralization versus Fragmentation.

(Research Objective 1)

Malaysia has a legal, state-administered Zakat system that is part of the state administration system. The centralization will help in the standardization, implementation, and coordination across jurisdictions. On the one hand, Bangladesh does not have an active central authority and, therefore, has no active control over the situation, which creates a decentralized regulatory vacuum.

Comparative understanding: centralization has the advantage of being easier in terms of accountability and scale, and fragmentation does not allow Zakat in Bangladesh to operate on a scale.

The efficiency of the collection and disbursement is measured by the ratio of current liabilities turnover to current asset turnover (Grant, 1985).

(Research Objective 2)

Malaysia has also implemented tax incentives and online payment methods that have enhanced the efficiency of collection, but the rigidity in the procedures fails to allow them to be disbursed promptly. The lack of institutional aggregation and digital coordination are the two reasons that led to the inefficiencies of both levels in Bangladesh.

Comparative understanding: the problems in Malaysia are operational; the problems in Bangladesh are structural.

Patterns of Allocations and Impact of Development.

(Research Objectives 2 & 3)

Malaysia is also increasingly adopting empowerment-based interventions, such as micro-enterprise financing and human capital development, but misprioritization remains a problem in some states. The distribution pattern in Bangladesh remains primarily consumption-based, cementing dependency cycles.

Comparative understanding: Institutional ability is needed to enable the empowerment; voluntarism will not be sufficient to reduce structural poverty.

Transparency, Trust, and Public Confidence

(Research Objective 3)

Audited reporting and state control in Malaysia have moderately to high scores on public trust, but there are also some sources of dissatisfaction. This untransparency in Bangladesh breeds a culture of suspicion and thus directs Zakat into informal channels.

Comparative understanding: Not cultural givenness but institutional result.

5.6 Institutional and Technological Innovation.

(Research Objective 3)

Digital payments, databases, and fintech platforms, which are part of computer integration, have been identified as a governance amplifier in Malaysia. Technological efforts in Bangladesh are scattered and have little influence.

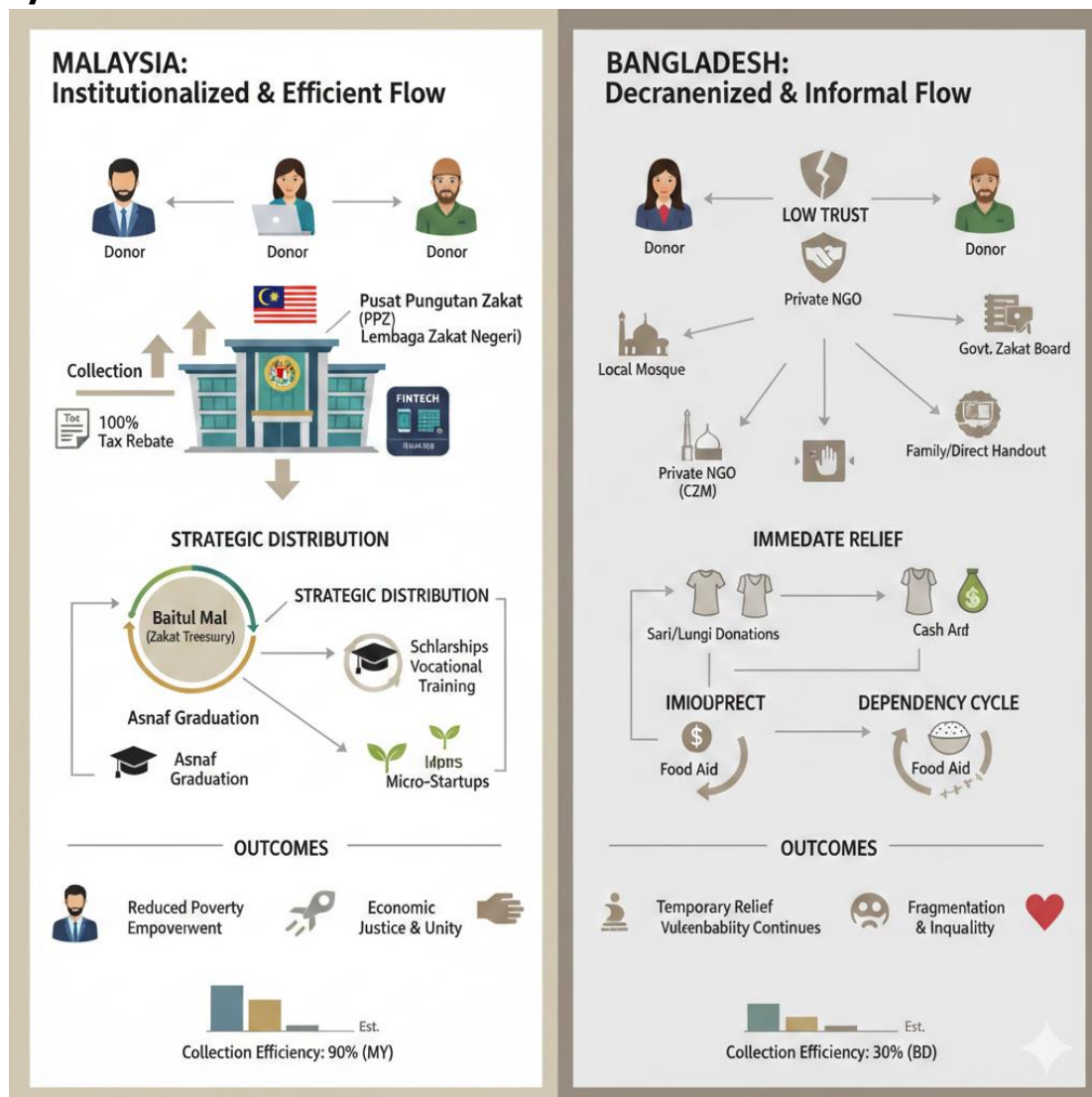
Comparative revelation: Technology empowers institutions; it cannot replace them.

Comparative Summary Table

Table 01

| Dimension | Malaysia | Bangladesh |
|---------------------------|--------------------------------|------------------------------------|
| Governance | Centralised, statutory | Fragmented, informal |
| Collection | Digital and tax-linked | Individual-based |
| Distribution | Mixed (empowerment + relief) | Relief mainly |
| Transparency | State-sponsored, audited | Minimal |
| Levels of Trust | moderate-high | low |
| Development Impact | Structural potential | Relief in the short term |
| Poverty Focus | Multi-dimensional (Structural) | Immediate relief (Absolute) |
| Tax Synergy | 100 Percent Direct Tax Rebate | No official Zakat-Tax Interaction |
| Trust Factor | High (State-backed/Audited) | Low (Preference with Private/NGOs) |
| Sustainability | Focus on "Asnaf" Graduation | Focus on immediate consumption |

A visual presentation of Malaysia and Bangladesh zakat management system



The image opposes the institutionalized system of Zakat in Malaysia, where centralized collection and strategic investment are used to economically empower the population in the long term, and the informal system in Bangladesh. It points out the disintegrated, low-trust model in Bangladesh, which is based on direct handouts and results in temporary relief and dependence cycles.

The comparative study justifies the perception that the effectiveness of Zakat is more at the institutional level than at the theological level. The example of Malaysia on how governance, legal power, and technology can make Zakat a strategic instrument of development and the example of Bangladesh on the limitations of informality and lack of trust. The following policy recommendations are based on the empirical findings.

Results and Discussion

Zakat, Poverty Reduction, and Sustainable Development: Empirical Reflections

This study finding can be used to substantiate the common belief within the Islamic economics community that Zakat is an essential instrument of social justice and can be used to redistribute the wealth of the rich to the poor to lower the level of income inequality. In both case studies, there are indications that Zakat, especially when directed to productive and empowerment-oriented programs, can drastically decrease the poverty incidence, severity, and intensity. Such results align with other past empirical research, which revealed that Zakat transfer makes the poor have more purchasing power, aggregate consumption, and even positively affects the growth of national GDP (Kahf, 1999; Obaidullah, 2015).

In addition to short-term income impacts, the outcomes indicate that Zakat has sustainable development outcomes, such as the development of human capital, economic resilience to shocks, and social stability. Allowing the population to manage their vulnerability during cyclical economic downturns, Zakat reinforces the findings of previous research, which present Islamic social finance as a supplement to state welfare services (Chapra, 2016). Nevertheless, the extent to which these consequences are realized is shown to be directly dependent on the institutional design and the quality of governance, rather than on the normative power of Zakat itself.

Malaysian Zakat Framework Institutional Lessons.

Although Malaysia has one of the best-organized Zakat systems in the Muslim world, there still exist pockets of poverty in the country. Although Zakat collections have been on the rise over the years, the results show that this has not been reflected proportionately in poverty eradication. This observation aids previous criticisms, which focus on distribution efficacy and priority over collection volume as the two crucial variables in determining the effectiveness of Zakat (Norazlina & Rahim, 2011). The lack of effective prioritization (al-Awlawiyyat) has been identified as one of the most problematic issues. In several states in Malaysia, a disproportionate amount of Zakat is given to the *fi sabilillah* category, which tends to supersede *fuqra* and *masakin*. The practice is opposed to the anti-poverty justification of Zakat and does not comply with academic statements that stress the importance of targeting the hardcore poor (Al-Qaradawi, 1973). As a result, the transformative potential of Zakat is watered down, even in a highly institutionalized system.

Impact is further limited by distribution inefficiency. The concentration of payment at the end of the year is one of the reasons why the disbursement rates in some states, such as Kuala Lumpur, Sarawak, and Pahang, are low and compel Zakat institutions

to delay assistance. The disbursement of funds is also slowed down by administrative overheads, particularly in applications of aid through education, thereby reducing responsiveness to urgent needs.

In addition, participation gaps remain high. Evidence-based data suggests that a very low percentage of potential Muslims regularly pay the Zakat, which shows a lack of proper outreach and awareness campaigns. This reinforces the previous conclusion that it is institutional passivity, in which Zakat institutions are unwilling to mobilize resources by merely waiting for contributors to show up rather than actively involving them (Hasan & Siraj, 2016).

Trust-related issues compound these issues. The survey information shows that both recipients and contributors are dissatisfied, especially with the transparency and adequacy of the assistance. Although the support in the field of education is considered positive, beneficiaries say the lack of housing, health care, transportation, and communication are the fundamental factors. This discontent undermines institutional legitimacy and, in the long run, reduces compliance.

Lastly, the results point to the underdeveloped capacity of a few recipients, notably productive Zakat programs. Poor entrepreneurial capabilities, insufficient capital, and a lack of mentoring are usually the causes of business failure. This highlights that financial support alone is not enough without additional capacity-building interventions.

Formal Difficulties in the Informal Zakat Management in Bangladesh.

Unlike the centralized system in Malaysia, Zakat governance in Bangladesh is characterized by informality, decentralization, and poor institutional coordination. Despite current estimates indicating that Zakat contributions may take up a very significant proportion of national GDP, the research finds that the potential of Zakat has yet to be fully exploited because there is no centralized governance system.

Zakat is collected and given out mostly by individuals, mosques, or small groups, making the practices disconnected and regionally isolated. This fragmentation leads to delays, duplication, and lack of transparency, which further enhances the distrust of the population. In this regard, informal giving is through direct giving, which is very documented in the informal Islamic philanthropy literature (Rahman, 2024a).

The findings also indicate significant operational risks associated with informality. In some cases, unplanned mass Zakat has led to stampedes and loss of lives, which is a major indication of the dangers of uncontrolled charity. Furthermore, no valid data exists, which rules out the opportunity to estimate the quantity of Zakat streams and plan their effective distribution in order to decrease the poverty rates in the long-term perspective.

Though some NGOs have achieved success in implementing small-scale productive Zakat programs, especially in supporting microenterprises, these efforts are localized and lack any connection to the national poverty approach. In Bangladesh, Zakat is

still considered a form of relief instead of an instrument of structural development unless coordinated by the government.

Best Practices and Strategic Solutions: Evidence and Innovation Integrations.

The relative findings reveal several best practices that can improve Zakat efficiency in both settings. To begin with, effective Zakat programs that complement income-generating activities are a significant route to sustainability. The program, like the Economic Development Program of Lembaga Zakat Selangor, demonstrates how non-repayable business capital, when coupled with mentoring and basic technological training, can enable long-term financial independence for beneficiaries. Second, there is the digital transformation, which is critical in enhancing transparency and trust. Fintech solutions, mobile banking, and tracking systems powered by blockchain are some of the technologies that are used to enhance accountability, decrease administrative time, and boost compliance. These tools will particularly be relevant to Bangladesh, where digitalization would aid in the balancing of geographic and institutional disintegration.

Third, Zakat is enhanced by other Islamic financial products, particularly Islamic microfinance, and thus it becomes more effective. Short-term relief can be done through Zakat, and long-term economic participation can be done through microfinance. The opportunities of this course are reflected through hybrid models like associations with institutions like Amanah Ikhtiar Malaysia.

Fourth, Zakat ought to be managed together with multi-stakeholders. The government, non-governmental organizations, the universities, and the business sector ought to unify their data exchange, education, and performance evaluation. The participatory style is especially critical in the example of Bangladesh, where the system construction is to be conducted on the basis of the alignment of institutions.

Lastly, the results underline the need for sophisticated instruments of poverty measurement. Traditional income-based measures cannot reflect the overall aims of Zakat. A more detailed evaluation of the social, economic, and moral consequences of Zakat can be achieved through the development and use of indices such as the Islamic Poverty Index (IPI), which is consistent with the Maqasid al-Shariah.

Scientific and Practical Value Additions of the Study.

Theoretically, the study's scientific contribution to the literature on Islamic economics is that Zakat effectiveness is more of an institutional than a theological variable. It combines classical Islamic political economy with modern analysis of governance, thereby promoting a comparative institutional framework that is not limited to the two case studies.

As a matter of fact, the work offers evidence-based, policy-oriented guidelines on the Zakat reform. It identifies movable principles of governance in Malaysia, situational

limits in Bangladesh, and the way out that can be generalized and embraced by policymakers and actors in diverse Muslim-majority environments, such as digital integration and collaborative models.

Conclusion and Recommendations

Conclusion

Islamic social-economic philosophy enshrines Zakat, based on the concept of tawhid (unity), -adl (justice), and ukhuwwah (brotherhood). It does not only possess a normative purpose in the relief of charity but also the foundation of social justice, economic equality, and communities that are sustainable (ḥayathan ṭayyibah). The views of Zakat as the solution to poverty are evidenced in historical examples of the early Islamic polity. However, the current paper shows that a successful implementation of the idea in the past does not necessarily lead to its success in the present unless it is properly designed.

A comparative study of Malaysia and Bangladesh shows that they differ in Zakat outcomes mainly because of governance systems, not necessarily because of differences in doctrines or norms. The Zakat system in Malaysia has become one of the most highly institutionalized, state-run systems, enabling systematic collection and distribution. This organization offers definite benefits in terms of coordination, scalability, and accountability. However, the results demonstrate that Malaysia is still struggling with internal limitations, including inefficient prioritization among asnaf, delays in fund disbursement, gaps in participation among eligible contributors, and trust issues associated with governance. These are some of the challenges that restrain the transformative potential of Zakat regardless of institutional maturity.

Conversely, Zakat in Bangladesh is very informal and disjointed. Despite the country's potential to generate substantial Zakat, there is no centralized institutional structure, and the lack of trust is evident in Zakat's role as a strategic national poverty alleviation tool. This has kept Zakat in Bangladesh largely restricted to short-term relief, with limited ability to address the structural causes of poverty. The comparative results thus show that the main limitation in Bangladesh is institutional weakness, not lack of resources, whereas in Malaysia it is institutional inefficiency, not lack of structure.

Generally, the paper concludes that whether Zakat is effective in alleviating poverty and ensuring sustainable development is not based on its obligatory nature but rather on the quality of governance, strategic distribution of the Zakat, and the credibility of the institution. This conclusion supports the main idea of the given research: Zakat does not work, or it works at the institutional level.

Recommendations (Recommendations Linked to Findings).

Based on the empirical results and the comparative analysis, the following recommendations are made.

Enhance Priority Zakat Allocation of Funds

Correlated discovery: Weak prioritization and misallocation lower the impact of development.

Malaysia and Bangladesh ought to shift the focus of Zakat payment to the most vulnerable asnaf, especially the fuqara and the masakin. In Malaysia, the distribution of Zakat funds across asnaf categories should be reevaluated to ensure that the main target of Zakat remains poverty alleviation. This should be done by prioritization schemes grounded in the Islamic jurisprudence (alawlawiyyat) and will be used in the allocation of decisions in order to create as much social impact as they can.

Relief-Oriented Zakat to Empowerment-Oriented Zakat.

Correlated consequence: Productive Zakat is a more sustainable product compared to consumption-based charity.

Zakat institutions in the two nations should also place greater focus on long-term self-sufficiency-promoting programs. This involves providing capital grants, skills training, business mentoring, and access to Islamic microfinance. This change will make Zakat not a temporary safety net but a driver of sustainable economic engagement, thereby decreasing dependency and improving the development of human capital.

Formalization and Development of Institutions in Bangladesh.

Linked discovery: Zakat is an informal and fragmented element that weakens its strategic position.

The collection, distribution, reporting, and public awareness should be structured to have a national Zakat authority in Bangladesh that has a clear legal mandate to organize the whole process. A system of institutions that is integrated would enhance transparency, enable planning based on the data, and instill trust in society. Notably, this kind of institutionalization must supplement, rather than substitute for, the already established community and NGO programs by combining them into a nationally coherent approach.

Improve Malaysia's Governance and Standardization.

Correlated discovery: Governance inefficiencies are not removed by institutional maturity.

The quality of governance needs to be enhanced in Malaysia by harmonizing and standardizing the Zakat institutions at various levels of the state. The contributor would be more satisfied with better financial disclosure, a reporting structure that is standardized, and a more powerful internal control and performance monitoring

system to improve efficiency in operations. They are necessary steps in maintaining popular confidence in a centralized system.

Utilization of Digital Technology and Fintech Solutions

Connected discovery: Technology enhances the effectiveness of the institution but cannot replace governance.

The two countries will fully utilize digital platforms, fintech solutions, and data management systems to promote transparency, efficiency, and accessibility. Malaysia has an already developed digital infrastructure, and technology can be used to overcome the problem of geographic dispersion and coordination in Bangladesh. New technologies, such as blockchain-based tracking, can also help improve accountability and trust.

Support Multi-Stakeholder Cooperation.

Connected observation: Zakat organizations cannot address structural poverty on their own.

The Zakat institutions are to collaborate with government agencies, non-governmental organizations, Islamic microfinance organizations, private actors, and institutions of learning. These partnerships allow the collective sharing of resources, knowledge, and services. Such a synergistic approach is necessary in Bangladesh, where coordinated efforts in the various sectors are necessary to develop institutional capacity.

Future Research Guidelines.

This study presents a number of directions of research. To measure the first macroeconomic effects of Zakat on consumption, employment, and inequality, quantitative or mixed-methods empirical research can be applied. Second, the generalization of the institutional knowledge found in this case would be assisted by comparative research of other Muslim-dominated countries such as Indonesia, Pakistan, and GCC countries. Third, it may be used in future work to analyze the value of digital governance and blockchain applications in enhancing trust and accountability in Islamic social finance. Lastly, longitudinal research studies that have monitored Zakat recipients can provide further information on the long-term effectiveness of interventions based on empowerment through Zakat.

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