

THE IMPACT OF FINTECH ADOPTION, DIGITAL PAYMENTS, AND TRANSPARENCY ON ZAKAT TOWARDS INCOME CONTRIBUTIONS

Fatin Syazwani Safiyuddin¹
Nur Danira Fakhira Razali²
Hafirda Akma Musaddad³
Nadiyah Mahmud Nasir⁴

¹Faculty of Business & Communication, Kampus Uniciti Alam Sg. Chuchuh, 02100 Padang Besar, Perlis, Malaysia (Email: syazwanisafiyuddin@unimap.edu.my)

²Faculty of Business & Communication, Kampus Uniciti Alam Sg. Chuchuh, 02100 Padang Besar, Perlis, Malaysia (E-mail: danirafakhira@gmail.com)

³Faculty of Business and Management, Cawangan Kelantan, Kampus Machang, Universiti Teknologi Mara (UiTM), Malaysia, (E-mail: hafirda@uitm.edu.my)

⁴Faculty of Business & Communication, Kampus Uniciti Alam Sg. Chuchuh, 02100 Padang Besar, Perlis, Malaysia (Email: nadiyahnasir@unimap.edu.my)

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Abstract: *Zakat on income is a fundamental Islamic financial obligation that promotes social justice and assists marginalised communities. Despite well-organised zakat institutions in Malaysia, challenges persist regarding compliance, accessibility, and public trust. Financial technology (FinTech) has emerged as a potential mechanism to enhance zakat collection by improving convenience, efficiency, and transparency. This study examines the influence of FinTech adoption, digital payment systems, and transparency on zakat on income contributions among Muslim income earners in Penang. A quantitative design was used, involving 384 respondents selected through non-probability sampling. Data were analysed using descriptive and inferential statistics. Results indicate that FinTech adoption significantly enhances zakat contribution behaviour by improving ease of use and accessibility. Digital payment systems further increase the efficiency and frequency of payments, while transparency mechanisms such as real-time tracking and automated receipts strengthen donor trust and compliance. The study highlights the critical role of digital innovation in modernising Islamic social finance and offers policy recommendations for enhancing zakat governance through Shariah-compliant FinTech solutions.*

Keywords: *Blockchain, Fintech adoption, digital payment systems, transparency, zakat on income*

Introduction

Zakat is a mandatory form of Islamic philanthropy imposed on Muslims whose wealth reaches the prescribed *niṣāb* (threshold). Its obligation is firmly established in the Qur'ān and Sunnah, underscoring its central role in Islamic socio-economic life. Zakat is levied annually at a rate of 2.5 per cent on eligible net wealth and applies to various categories of assets, including cash, livestock, agricultural produce, gold, silver, and income generated from productive assets, among others (Kunhibava, S., Muneeza, A., Mustapha, Z., Khalid, M., & Kiran, G., 2024). Zakat on income (*al mal al-mustafad*) is income assets refer to all types of wages, compensation, payments, or earnings obtained from work or effort carried out, whether regularly or occasionally (zakatselangor.com). As mentioned in Al-Baqarah verse 267:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا أَنْفِقُوا مِنْ طَيِّبَاتِ مَا كَسَبْتُمْ وَمِمَّا أَخْرَجْنَا لَكُمْ مِنَ الْأَرْضِ وَلَا تَيَمَّمُوا الْخَبِيثَ مِنْهُ تُنْفِقُونَ
وَلَسْتُمْ بِأَجْزِيهِ إِلَّا أَنْ تُغْمِضُوا فِيهِ وَاعْلَمُوا أَنَّ اللَّهَ غَنِيٌّ حَمِيدٌ

“O believers! Donate from the best of what you have earned and of what We have produced for you from the earth. Do not pick out worthless things for donation, which you yourselves would only accept with closed eyes. And know that Allah is Self-Sufficient, Praiseworthy.” This verse explains that all lawful (*ḥalāl*) earnings are subject to zakat obligations. Accordingly, income derived from salaried employment is classified as earnings and is therefore liable for zakat payment.

Surah At-Tawbah (9:60) specifies eight categories of beneficiaries eligible to receive zakat, collectively known as *asnaf*. These include *al-fuqara* (those who have no means of livelihood), *al-masakin* (individuals with insufficient income to meet basic needs), *amil* (appointed zakat administrators), *muallaf* (new converts or individuals whose hearts are inclined towards Islam), *ar-riqab* (those seeking freedom from bondage), *al-gharimin* (individuals in debt for valid reasons), *fi sabilillah* (those striving in the cause of Allah), *ibn as-sabil* (travellers stranded without resources).

Zakat collection and distribution in Malaysia are administered at the state level by authorised religious entities. Although state zakat institutions such as Zakat Pulau Pinang (ZPP) have structured systems for collection and distribution, inefficiencies such as limited accessibility, poor transparency, and inconsistent compliance continue to hinder effective zakat administration (Kamaruddin et al., 2025).

Many Muslims who are eligible to pay zakat do not fulfil their obligations consistently, which diminishes its potential social impact. Kamaruddin et al. (2023) report that inefficiencies in zakat collection and distribution have resulted in a collection gap of nearly 50%, indicating that a substantial number of eligible contributors are not paying zakat regularly. Factors contributing to this shortfall include limited awareness, restricted access to convenient payment channels, weighty procedures, and a lack of trust in the governance and transparency of zakat institutions. Figure 1.1 shows zakat payer in Penang.

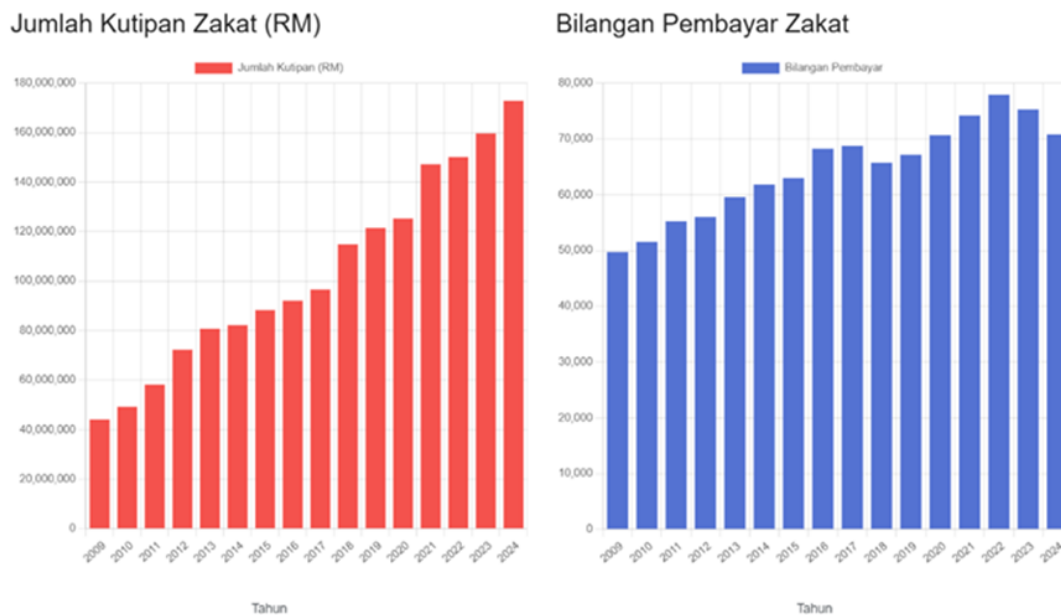


Figure 1.1: Zakat payer in Penang

Source: Zakat Pulau Pinang, 2025

Data in Figure 1.1 indicate that the number of contributors fluctuates from year to year, even though the total zakat collection continues to increase.

A primary challenge in zakat management is the inefficiency in identifying potential zakat contributors and ensuring that zakat collections are distributed effectively to eligible beneficiaries. In addition, limited transparency and accountability in zakat institutions have weakened public trust, leading to lower compliance and reduced zakat contributions (Daud & Wahid, 2025). As donor expectations evolve, particularly in technologically advanced states such as Penang, there is an increasing demand for zakat systems that are more accessible, transparent, and efficient.

In response to these challenges, FinTech innovations including mobile banking, QR-based payments, and blockchain-supported reporting have emerged as potential solutions to simplify zakat payment processes and improve institutional accountability (Abdullah et al., 2024). Previous studies have demonstrated that FinTech enhances convenience and trust, which are important determinants of zakat payment behaviour (Rabbani et al., 2022). Furthermore, blockchain technology enables real-time tracking of zakat funds, allowing contributors to verify how their contributions are utilised, thereby strengthening transparency and public confidence (Nor et al., 2021; Kamaruddin et al., 2025).

Despite these developments, existing studies mainly focus on the general role of FinTech in Islamic finance or zakat payment behaviour at a broader level. Limited empirical research has specifically examined how FinTech adoption, digital payment systems, and transparency influence zakat on income contributions at the state level, particularly in Penang. In addition, the combined relationship between these variables remains underexplored in the context of Malaysia's zakat institutions. This lack of state-specific empirical evidence creates a significant research gap, as the effectiveness of FinTech implementation may differ according to demographic, technological, and institutional factors across regions.

Therefore, this study seeks to fill this gap by examining the relationships between FinTech adoption, digital payment systems, transparency, and zakat on income contributions in Penang.

The study aims to assess how digital innovation influences zakat payment behaviour and to provide practical insights for strengthening the effectiveness and sustainability of Malaysia's Islamic social finance ecosystem.

Literature Review

FinTech refers to the integration of advanced technologies into financial services to enhance efficiency, accessibility, and user experience (Cunha et al., 2020). The Technology Acceptance Model (TAM) identifies perceived usefulness and perceived ease of use as core predictors of technology adoption (Davis, 1989). Studies show that fintech solutions such as online zakat platforms and mobile wallets positively influence zakat payment behaviour by reducing institutional and procedural barriers (Kamaruddin et al., 2023).

Digital payments refer to the use of computers or mobile devices to purchase goods or services, whether through apps, websites, or in-store terminals (McKinsey, 2025). Digital payment systems including online banking, mobile wallets, and QR payments have become increasingly widespread due to their convenience and speed (Nguyen et al., 2023). Research indicates that digital payment systems promote financial inclusion, reduce transaction conflict, and enable systematic charity contributions including zakat (Rahman et al., 2020). Automated deductions and instant confirmations also improve compliance.

Trust has consistently been identified as an important determinant of zakat compliance and payment behaviour. In the context of digital zakat systems, transparency serves as a key mechanism for strengthening public trust in zakat institutions. Features such as automated receipts, real-time fund tracking, and digital financial reporting increase the visibility of fund management processes, thereby reducing information asymmetry between zakat institutions and contributors (Susanto et al., 2023). From the perspective of the Technology Acceptance Model (TAM), users are more likely to adopt financial technologies when they perceive the system as reliable, useful, and capable of enhancing transaction efficiency. Similarly, Institutional Trust Theory suggests that greater transparency and accountability improve confidence in institutions, which subsequently encourages compliance behaviour.

Among emerging fintech innovations, blockchain technology has been widely recognised as a transformative breakthrough in financial systems due to its decentralised and highly secure nature (Chang et al., 2020). Blockchain enables information to be recorded and stored in a manner that is resistant to unauthorised alteration, manipulation, or hacking. Its key characteristics include decentralisation, immutability of records, faster transaction settlement, reduced counterparty risk, and advanced encryption mechanisms that strengthen transaction security (Techracers, 2018). These features are particularly relevant to zakat institutions, as they can enhance transparency and accountability in fund management.

Previous studies have mainly discussed blockchain and fintech from a technological or operational perspective, emphasising their efficiency and security benefits in financial transactions (Chang et al., 2020; Kunhibava et al., 2024). However, the relationship between fintech adoption, transparency, and zakat contribution behaviour remains insufficiently examined in an integrated conceptual framework. Existing studies often imply that transparency enhances trust, which subsequently influences zakat compliance, yet trust itself is rarely incorporated or empirically tested as a direct construct within the research model. As a result, the underlying mechanism explaining how fintech-driven transparency influences zakat on income contributions remains unclear.

Therefore, this study integrates the concepts of fintech adoption, transparency, and zakat contribution behaviour into a more coherent conceptual framework. Rather than treating transparency solely as a technological feature, this study positions it as an institutional factor that may directly influence zakat on income contributions by enhancing contributors' confidence in zakat management practices. This integration provides a clearer theoretical explanation of how digital financial innovation can strengthen the effectiveness of zakat institutions and improve zakat compliance behaviour.

Fintech Adoption and Zakat on Income Contributions

Fintech adoption is one of the strongest predictors of zakat payment behaviour. Technology Acceptance Model (TAM) and Unified Theory of Acceptance and Use of Technology (UTAUT) posit that perceived usefulness, perceived ease of use, and facilitating conditions directly shape user intentions (Davis, 1989; Venkatesh et al., 2003). Within Islamic finance, these constructs influence how Muslims engage with digital platforms to fulfil religious obligations.

Empirical studies conducted in Malaysia, Indonesia, and the Middle East demonstrate that fintech applications significantly enhance zakat practices by simplifying zakat calculations, reducing the need for physical interaction with zakat institutions, providing timely reminders and automated deductions, and enabling users to make payments conveniently at any time and from any location (Kamaruddin et al., 2023; Amnas et al., 2023). A study conducted by Amnas et al., (2025) found that perceived ease of use (PE) and perceived usefulness (PU) significantly influence the use of FinTech services. Moreover, a strong positive relationship exists between PE and PU, highlighting the interdependence of these factors in FinTech adoption.

Digital Payment Systems and Zakat on Income Contributions

Digital payment systems such as mobile wallets, QR code transfers, online banking, and instant payment gateways significantly enhance the efficiency and regularity of zakat contributions. Drawing on innovation diffusion theory, the convenience, compatibility, and speed offered by these digital payment methods have been shown to increase user acceptance of financial technologies (Rogers, 2003).

Studies across Southeast Asia indicate that digital payment systems encourage higher levels of charitable giving because they reduce transaction time, provide immediate confirmation of payments, eliminate the need for manual paperwork, and generate automated digital trails that strengthen user confidence in the transaction process (Meerangani et al., 2023; Rahman et al., 2020).

In the context of zakat, digital payments allow contributors to avoid queuing at zakat counters or completing cumbersome forms. Furthermore, features such as auto-debit, payment scheduling, and integration with salary accounts ensure zakat on income can be paid regularly, aligning with Islamic financial principles of prompt fulfilment of obligations.

Research also suggests that digital payment systems enhance zakat inclusivity by enabling rural and remote populations to participate through mobile-based financial services (Nguyen et al., 2023). Consequently, digital payment systems are expected to significantly improve the efficiency, accessibility, and frequency of zakat contributions.

Transparency in FinTech-Based Zakat Systems

Studies show that transparency directly influences zakat compliance. When donors can verify how funds are collected, allocated, and distributed to asnaf categories, their trust increases, which subsequently enhances their willingness to contribute regularly (Zarkasi & Sriyono, 2024).

Transparency also helps alleviate concerns about mismanagement or misuse of fund. The issues often mentioned by zakat payers who choose informal channels over institutional ones. Consequently, greater transparency supported by fintech tools is expected to substantially enhance donor confidence and encourage higher zakat contributions.

Based on the literature review, this study aims to explore the relationship between fintech adoption, digital payment systems, and transparency with zakat on income contributions. To guide the research, the following hypotheses have been developed:

H1: There is a significant relationship between fintech adoption and zakat on income contributions.

H2: Digital payment systems have a significant impact on the efficiency and frequency of zakat on income contributions.

H3: Transparency in fintech-based zakat systems significantly influences donor trust and compliance in zakat on income contributions.

Research Methodology

This study employed a quantitative research design to examine the effects of fintech adoption, digital payment systems, and transparency on zakat on income contributions among Muslim income earners in Penang. A cross-sectional survey approach was adopted to obtain empirical data from respondents regarding their experiences and perceptions of fintech usage in zakat payment practices.

Unit of Analysis

The unit of analysis for this study comprised individual Muslim income earners in Penang who are eligible to pay zakat on income and have experience using fintech platforms for zakat contributions. These individuals were selected as the primary source of data due to their direct involvement in zakat payment decisions and behaviours, particularly in relation to the use of financial technology tools such as mobile banking applications, online zakat portals, e-wallets, and other digital payment systems.

Sampling Technique and Data Collection Method

This study employed a non-probability purposive sampling technique, whereby respondents were selected based on specific criteria relevant to the objectives of the study. The criteria included Muslim income earners residing in Penang who had prior experience using digital financial platforms for zakat-related transactions. Data were collected through a structured questionnaire distributed online using Google Forms. A total of 384 valid responses were obtained, which satisfied the recommended sample size for multivariate analysis. A cross-sectional survey was conducted using a structured Google Forms questionnaire distributed to individuals eligible to pay zakat and experienced in using digital financial platforms. The final sample of 384 respondents met the recommended size for multivariate analysis.

Instrument

The questionnaire was adapted from previous studies related to fintech adoption, transparency, and zakat compliance behaviour. The instrument consisted of four sections. The first section measured fintech adoption using 5 items adapted from Rabbani et al. (2022), including statements such as “Fintech platforms make zakat payment easier and more convenient.” The second section measured digital payment systems using 4 items adapted from Abdullah et al. (2024), including “I prefer using digital payment methods for zakat contributions.” The third section measured transparency using 5 items adapted from Susanto et al. (2023), including “Zakat institutions provide clear and accessible information regarding the use of zakat funds.” The final section measured zakat on income contribution behaviour using 4 items adapted from previous zakat compliance studies, including “I consistently pay zakat on income through official channels.” All questionnaire items were measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree.

Pilot Test and Data Analysis

A pilot test involving 30 respondents was conducted to evaluate the reliability and clarity of the questionnaire items before the actual data collection process. The Cronbach’s Alpha values demonstrated satisfactory internal consistency, with fintech adoption recording 0.88, digital payment systems 0.84, transparency 0.87, and zakat on income contribution behaviour 0.85. Since all values exceeded the recommended threshold of 0.70, the instrument was considered reliable for the main study. The collected data were analysed using the Statistical Package for the Social Sciences (SPSS) version 29. The analysis included descriptive statistics, reliability analysis, correlation analysis, and multiple regression analysis to examine the relationships between the independent variables (fintech adoption, digital payment systems, and transparency) and the dependent variable (zakat on income contributions).

Result and Finding

According to the sample size determination table by Krejcie and Morgan (1970), a population of 70,000 or more requires a minimum of 384 respondents to achieve reliable and statistically significant results. In line with this guideline, a total of 384 surveys were collected from Muslim income earners in Penang, representing a population of 70,782.

Descriptive Analysis

The predominant demographic of responders is the 18–24 age group, including 148 persons (38.5%), signifying a substantial presence of younger participants. The second biggest age group is 25–34, consisting of 80 respondents (20.8%), followed by the 45–54 cohort, which has 67 persons (17.4%). The age group of 55 and above has 47 respondents (12.2%), whilst the 35–44 age group consists of 42 respondents (10.9%).

Of the 384 participants, 151 (38.5%) identified as male, and 233 (59.4%) identified as female. The survey sample consists of a predominance of female respondents, accounting for roughly three-fifths of the overall sample.

The findings indicate that 306 persons (79.7%) are working in the private sector, whilst 78 individuals (20.3%) are worked in the government sector. This signifies a much greater proportion of respondents from the private sector, comprising about eighty percent of the entire sample.

The distribution of monthly income among participants shows that the largest group, comprising 107 respondents (27.9%), earns between RM2,000 and RM3,999. This is followed by 97 respondents (25.2%) earning below RM2,000, and 91 respondents (23.7%) with incomes of RM4,000 to RM5,999. Additionally, 66 participants (17.2%) reported earning between RM6,000 and RM7,999, while only 23 respondents (6.0%) indicated monthly incomes of RM8,000 or above.

Payment of zakat among respondents shows that the vast majority, 362 individuals (94.3%), reported paying zakat, while only 22 respondents (5.7%) indicated that they do not. The distribution of respondents based on fintech usage shows that a large majority, 367 individuals (95.6%), reported using fintech platforms, while only 17 respondents (4.4%) indicated that they do not use them.

The dependent variable measuring zakat on income contributions recorded a mean of 19.40, suggesting generally positive engagement with zakat payments. The standard deviation of 5.77 indicates moderate variation in responses. Among the independent variables, Fintech Adoption showed the highest mean (19.58), reflecting strong respondent acceptance of fintech platforms. Digital Payment Systems (19.38) and Transparency in Fintech Zakat Systems (19.53) also recorded similarly high means, indicating consistent agreement on their usefulness. The minimum and maximum scores (6.00 to 25.00) across all variables show that responses covered the full scale, demonstrating a wide range of perceptions. Overall, these results suggest favourable attitudes toward fintech and its role in supporting zakat contributions, providing a solid foundation for further analysis.

Correlations Analysis

Table 4.1: Correlations Analysis

Variable		IV1	IV2	IV3	DV
Iv1: Fintech Adoption.	Pearson correlation	1	.949**	.962**	.948**
	Sig. (1-tailed)	-	0.000	0.000	0.000
	N	384	384	384	384
Iv2: Digital Payment Systems.	Pearson correlation	.949**	1	.969**	.966**
	Sig. (1-tailed)	0.000	-	0.000	0.000
	N	384	384	384	384
Iv: Transparency in Fintech Zakat Systems.	Pearson correlation	.962**	.969**	1	.964**
	Sig. (1-tailed)	0.000	0.000	-	0.000
	N	384	384	384	384
Dv: Zakat on Income Contributions	Pearson correlation	.948**	.966**	.964**	1
	Sig. (1-tailed)	0.000	0.000	0.000	-
	N	384	384	384	384

Table 4.1 presents the Pearson correlation coefficients, showing the strength and direction of the relationships between the independent variables which are Fintech Adoption, Digital Payment Systems, and Transparency and the dependent variable, Zakat on Income Contributions. All correlations are positive and statistically significant at the 0.01 level ($p < 0.01$), indicating strong and meaningful associations among the variables.

Zakat on Income Contributions (DV) shows strong positive correlations with Fintech Adoption ($r = 0.948$, $p < 0.01$), Digital Payment Systems ($r = 0.966$, $p < 0.01$), and Transparency in Fintech Zakat Systems ($r = 0.964$, $p < 0.01$). This suggests that higher fintech usage, better digital payment options, and greater transparency are all associated with increased zakat contributions.

The independent variables are also highly correlated with one another. Fintech Adoption is strongly linked to Digital Payment Systems ($r = 0.949$, $p < 0.01$) and Transparency ($r = 0.962$, $p < 0.01$), while Digital Payment Systems and Transparency share an even stronger correlation ($r = 0.969$, $p < 0.01$). These results indicate that improvements in one fintech-related area tend to coincide with enhancements in others.

Regression Analysis

Table 4.2: Regression Analysis

Variable	β	T	p	R^2	Adjusted R^2
Fintech Adoption (IV1)	0.166	3.758	<0.001	0.292	0.285
Digital Payment Systems (IV2)	0.476	9.690	<0.001		
Transparency in Fintech Zakat Systems (IV3)	0.342	6.058	<0.001		

The regression analysis examines the effects of Fintech Adoption, Digital Payment Systems, and Transparency on Zakat on Income Contributions. The model explains about 29.2% of the variation in zakat contributions ($R^2 = 0.292$), with an adjusted R^2 of 0.285 providing a more conservative estimate that accounts for the number of variables.

The model is statistically significant, as evidenced by the F-statistic ($F = 39.812$, $p < 0.001$), demonstrating that the collective effect of the independent variables consistently forecasts the level of zakat on income contributions.

Digital Payment Systems (IV2) exert the most pronounced positive influence on zakat donations, evidenced by a standardised beta coefficient of 0.476 and a t-value of 9.690 ($p < 0.001$), indicating a very significant and considerable effect. Transparency in Fintech Zakat Systems (IV3) has a substantial beneficial effect, with $\beta = 0.342$, $t = 6.058$, and $p < 0.001$, signifying a meaningful addition to the model. Fintech Adoption (IV1) demonstrates a modest yet significant positive impact, with $\beta = 0.166$, $t = 3.758$, and $p < 0.001$, indicating its substantial influence on increasing zakat donations.

The results show that all three fintech-related factors significantly improve zakat on income contributions, with digital payment systems emerging as the strongest predictor, followed by transparency and fintech adoption. This underscores the importance of efficient digital payment channels and transparent fintech practices in boosting zakat compliance. These findings align

with prior studies emphasising the role of fintech innovation and trust in strengthening zakat collection effectiveness.

Conclusion and Recommendation

The findings reveal a significant positive association between fintech utilisation and zakat on income contributions. Respondents acknowledged that the integration of fintech solutions such as mobile applications, online zakat platforms, and automated digital systems has substantially facilitated the fulfilment of zakat obligations. The enhanced convenience and accessibility provided by these platforms were perceived to increase the likelihood of consistent zakat contributions among Muslim income earners. Moreover, fintech adoption was found to reduce barriers typically associated with conventional or manual zakat payment methods, thereby improving user experience and strengthening compliance with religious obligations.

The study further demonstrates a significant positive effect of digital payment methods on both the efficiency and frequency of zakat contributions. Respondents reported that the availability of internet banking, QR code payments, and e-wallet services substantially improved the ease, speed, and overall efficiency of conducting zakat transactions.

The findings highlight the critical role of transparency in strengthening donor trust and compliance. Participants indicated that fintech-enabled platforms offering real-time tracking of zakat collection and distribution significantly enhanced their confidence in the zakat system. Greater transparency in the management and allocation of funds to asnaf (eligible beneficiaries) reinforced donors' perceptions that their contributions were utilised efficiently and appropriately. This level of openness directly influenced donors' willingness to contribute zakat on a regular basis and promoted a stronger sense of accountability among zakat institutions, thereby supporting the long-term sustainability of the zakat ecosystem.

Theoretical & Practical Implication

The theoretical implications of this study contribute to the broader understanding of technology adoption models and trust-based theories within the context of Islamic financial obligations. Grounded in the Technology Acceptance Model (TAM) and the Theory of Planned Behavior (TPB), the findings validate that perceived ease of use, usefulness, and transparency in fintech applications significantly influence zakat on income contributions. The results are consistent with research by Beik et al., (2021) who emphasized that the adoption of fintech facilitates not only convenience but also strengthens donor confidence in zakat institutions.

The implementation of fintech technologies, including mobile applications and digital payment systems, may greatly enhance zakat collecting operations and promote timely donations (Kamaruddin, Hanefah, et al., 2023). The incorporation of real-time tracking and transparent reporting functionalities in fintech-based zakat systems bolsters donor confidence and accountability, which are essential factors for compliance (Beik et al., 2021).

Recommendations for Future Research

This study reveals data that underscore the importance of fintech in improving income zakat contributions, particularly through factors such as fintech adoption, digital payment systems, and transparency in fintech-based zakat frameworks. The research was confined to Muslim income earners in Penang, hence limiting the generalisability of the findings to wider communities. Subsequent study need to encompass participants from other geographical locations in Malaysia, incorporating both urban and rural locales, to evaluate the consistency

of the observed connections across differing socio-economic and technical contexts (Hasbulah et al., 2022). Extending the research to encompass other states or nations may facilitate the identification of regional impediments and prospects for fintech-based zakat systems. This study examines the perceived advantages of fintech in enhancing zakat donations, but it does not address the possible problems or unexpected repercussions of extensive fintech integration. Future study should investigate the impact of digital literacy, data privacy, and algorithmic bias on user trust and sustained involvement with zakat platforms.

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