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The Role of Artificial Intelligence in Optimizing Zakat Distribution in Malaysia: An Analysis of Ethical and Sharia Efficiency

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ABSTRACT

Ideally, zakat distribution in Malaysia functions as a primary instrument for economic equity and social justice based on maqasid al-shariah values. However, in reality, conventional mechanisms still face various challenges such as targeting inaccuracy, administrative bureaucracy, and the lack of integrated data between muzakki and mustahik. This situation demands innovation capable of addressing efficiency issues while preserving Islamic ethical principles—one of which is through the application of Artificial Intelligence (AI) in zakat management systems. This study aims to examine the role of AI in enhancing the effectiveness of zakat distribution while maintaining efficiency and Shariah compliance. The research employs a qualitative method through literature analysis of Malaysian zakat institution policies, academic articles, and documents on zakat digitalization. The findings reveal that AI can accelerate mustahik classification, optimize transparency in distribution, and reduce the risk of social inequality. Nevertheless, the integration of AI requires continuous ethical oversight to ensure that technology serves not only technical efficiency but also aligns with Islamic values of justice and humanity. The synergy between digital innovation and Shariah ethics is thus essential to building an intelligent and equitable zakat ecosystem.

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PENDAHULUAN

Human civilization is entering a new era marked by the dominance of Artificial Intelligence (AI) in nearly every aspect of life. Within the context of

Islamic economics, this technological advancement presents significant opportunities to strengthen the role of social finance instruments such as zakat, infaq, and sadaqah (Iqbal et al., 2025). Digital transformation is not merely a technical innovation but also a paradigmatic shift in the governance of communal funds, demanding higher levels of efficiency, accuracy, and transparency (Tarshany, 2025). In Malaysia, the development of the zakat system has assumed a strategic position within the Islamic financial ecosystem. Institutions such as Lembaga Zakat Selangor (LZS) and the Pusat Pungutan Zakat Wilayah Persekutuan (PPZ-WP) have emerged as pioneers in adopting digital technologies to enhance zakat collection and distribution systems. In this context, AI is increasingly perceived not merely as an administrative support tool, but as a data-driven decision-making instrument capable of improving targeting accuracy and expanding the social reach of zakat.

Historically, zakat has functioned as a core economic instrument in Islam, designed to promote social justice and economic equilibrium within society. Through mechanisms of wealth redistribution, zakat upholds values of solidarity and empathy among individuals. However, the challenges of the modern era necessitate more systematic and measurable forms of management. As populations grow and patterns of poverty become increasingly complex, conventional approaches to zakat distribution often prove inadequate. It is within this context that AI offers a potential solution: algorithmic systems can map the needs of beneficiaries (mustahik), analyze demographic data, and optimize fund allocation to enhance effectiveness. This integration demonstrates that modern technology can collaborate with Islamic spiritual principles, fostering harmony between faith and innovation.

Ideally, the utilization of AI in Malaysia's zakat system is expected to promote efficiency and equity in alignment with the objectives of maqasid al-shariah. AI can assist zakat institutions in rapidly verifying recipient data, preventing duplication of assistance, and accelerating the disbursement of funds to vulnerable groups. Moreover, intelligent technologies have the potential to enhance public transparency through open and real-time reporting systems, thereby increasing public trust in zakat management institutions. Consequently, digitalization and artificial intelligence are not merely technical concerns but constitute part of a spiritual endeavor to strengthen social accountability within the framework of worship.

Nevertheless, empirical realities indicate that the implementation of AI in zakat management does not occur without challenges. These challenges emerge from ethical considerations, regulatory constraints, and the readiness of human resources who possess adequate understanding of both sharia principles and technological systems. In certain cases, algorithms designed to enhance efficiency may inadvertently introduce bias, overlook humanitarian dimensions, or compromise the privacy of mustahik data. This situation gives rise to a paradox: as systems become overly automated, the values of ihsan and rahmah, which form the moral foundation of zakat services, risk being diminished. Therefore, a

balance between technological rationality and spiritual values is essential in every stage of zakat digitalization.

The central issue lies in ensuring that the application of AI remains consistent with the principles of justice (‘adl), trustworthiness (amanah), and integrity as mandated in the jurisprudence of zakat. If AI is employed without ethical guidance grounded in Islamic teachings, the resulting efficiency may be devoid of its humanistic essence. Ideally, technology should serve to reinforce the spiritual values of worship rather than replace them with purely mechanistic logic. In practice, however, a gap persists between this ideal and existing implementation. Several zakat institutions in Malaysia continue to focus primarily on administrative digitalization, while ethical considerations and sharia governance have yet to be fully integrated. This condition underscores the urgent need to formulate an AI implementation model that is not only technically intelligent but also morally prudent.

Against this backdrop, this study aims to analyze the role of Artificial Intelligence in optimizing zakat distribution in Malaysia by emphasizing two principal dimensions: sharia-based efficiency and ethical technology utilization. The study not only evaluates the effectiveness of AI in accelerating zakat distribution but also examines the extent to which artificial intelligence can serve as a means of upholding social justice in accordance with Islamic teachings. Through this approach, the research seeks to address a critical question: can machine-driven systems preserve the spiritual values that constitute the essence of zakat as an act of worship?

From a theoretical perspective, this study is expected to contribute to the discourse on integrating modern technology with sharia values in Islamic economics. It affirms that AI does not pose a threat to spirituality but can function as a tool to strengthen social accountability when employed responsibly. Practically, the findings may serve as a reference for zakat institutions, regulators, and technology developers in designing AI systems that are equitable, transparent, and grounded in the principle of public welfare (maslahah). In the long term, this research is anticipated to reinforce Malaysia’s position as a pioneer in technology-driven Islamic social finance that is both just and ethically grounded.

LITERATURE REVIEW

Studies examining the role of Artificial Intelligence (AI) in optimizing zakat distribution are not entirely new. Several scholars have explored this theme from various perspectives, including legal, technological, and sharia-ethical approaches, within the context of Islamic social finance management in Malaysia and the broader Muslim world. Nevertheless, the dynamic integration of AI into zakat distribution systems continues to evolve, necessitating a more in-depth analysis of sharia-based efficiency and ethical responsibility in its application.

Azwina Wati Abdull Manaf et al., in their work entitled “Legal Barriers and Opportunities in the Digital Transformation of Waqf Management in Malaysia: A

Critical Analysis," examine the legal factors that both hinder and facilitate digital transformation in waqf management in Malaysia. Their findings indicate that regulatory frameworks and digital literacy remain major challenges in optimizing the use of technology within Islamic social finance institutions (Manaf et al., 2025a). The similarity between their study and the present research lies in the shared focus on the digitalization of Islamic philanthropy. However, the distinction is evident in the object and emphasis of analysis: while their study concentrates on waqf and legal dimensions, this research focuses on zakat and the role of AI in enhancing distribution efficiency and ensuring compliance with sharia ethical principles.

Furthermore, the study by Munirra Zulkifley and Aishath Muneeza entitled "Optimizing Zakat Distribution in Selangor Using Technology" investigates how the implementation of technology-based systems can improve the accuracy and transparency of zakat distribution in Selangor. Their findings reveal that digitalization contributes to minimizing distribution errors and accelerating the verification process of zakat recipients (Zulkifley & Muneeza, 2024). The similarity between this work and the present study lies in the shared objective of technology-driven zakat optimization. However, the methodological difference is significant: while their research emphasizes administrative automation, the present study examines a more advanced integration of Artificial Intelligence, including ethically grounded, data-driven decision-making algorithms.

Meanwhile, Yasser Mohamed Abdelrahman Tarshany, in his article "The Role of Financial Technology in Determining the Priorities of Distributing Zakat Using Artificial Intelligence to Achieve Maqasid al-Sharia," provides a strong conceptual foundation for the argument that AI can assist in determining zakat recipient priorities in accordance with the principles of Maqasid al-Sharia. He underscores the importance of balancing algorithmic efficiency with the values of Islamic social justice (Tarshany, 2025). This study shares a fundamental similarity with the present research in its focus on ethical considerations and sharia efficiency. However, Tarshany's work is primarily conceptual and normative in nature, whereas the present study emphasizes an empirical analysis of AI implementation within the Malaysian context.

In addition, Muhammad Saeed Iqbal et al., in their work "AI in Islamic Finance: Global Trends, Ethical Implications, and Bibliometric Insights," present a global bibliometric analysis of AI trends in Islamic finance. Their study highlights that AI discourse is increasingly oriented toward issues of governance, accountability, and ethical compliance within sharia-compliant financial systems (Iqbal et al., 2025). The similarity between their research and the present study lies in the shared concern for ethical implications. However, the distinction is found in terms of geographical scope and analytical focus: Iqbal et al. adopt a global perspective and address Islamic finance broadly, whereas the present research narrows its focus to zakat distribution systems in Malaysia.

Based on these studies, it can be concluded that the research gap addressed in this study lies in the limited availability of empirical analyses that

simultaneously examine technological efficiency and sharia ethics in the application of Artificial Intelligence to zakat distribution in Malaysia. Previous research has tended to emphasize legal frameworks, general technological implementation, conceptual sharia foundations, or global trends. This study seeks to bridge these dimensions through a more integrative analytical approach, examining the extent to which AI can reinforce the principles of justice, trustworthiness (amanah), and public welfare (maslahah) in the practice of efficient and ethically grounded zakat distribution.

RESEARCH METHODOLOGY

This study adopts a library research design with a qualitative-descriptive approach, as the focus of the analysis is directed toward a conceptual and normative examination of the integration of Artificial Intelligence (AI) in zakat distribution in Malaysia. Through this approach, the research seeks to understand the meaning, orientation, and ethical values underlying the application of intelligent technologies within zakat institutions. The primary method employed is content analysis of academic literature, zakat-related regulations, and policy documents issued by institutions such as Lembaga Zakat Selangor (LZS) and the Pusat Pungutan Zakat Wilayah Persekutuan (PPZ-WP). Primary sources include scholarly articles published in journals such as the International Journal of Zakat, AZKA International Journal of Zakat and Social Finance, and the Review of Islamic Social Finance and Entrepreneurship, while secondary sources consist of books, annual reports, and prior studies addressing digitalization and AI ethics in Islamic economics.

Data analysis is conducted through an inductive and interpretative process to identify patterns of interconnection among sharia principles, digital efficiency, and social justice. Data validation is achieved through source triangulation, by comparing findings from academic research with documented practices of digital zakat institutions. Trustworthiness is further ensured by examining thematic consistency and alignment with the principles of maqasid al-shariah. The writing process follows a deductive and systematic structure, beginning with general concepts of zakat and AI and progressing toward a focused analysis of ethical considerations and efficiency in zakat distribution in Malaysia. Accordingly, this methodology not only produces a rational and academically grounded analysis but also positions technology as a means of advancing public welfare (maslahah) within the framework of humanitarian values and Islamic spirituality.

RESULTS AND DISCUSSION

Digital Transformation in Zakat Management in Malaysia

Digital transformation in zakat management in Malaysia constitutes part of a broader paradigm shift in the governance of Islamic economics in the twenty-first century. Advances in information technology have expanded the scope of

social worship such as zakat into a professionally managed instrument of Islamic social finance. In this context, digitalization is not merely a technical phenomenon but also a social and moral process that requires a reorientation of values, institutions, and the behavior of Muslim society (Manaf et al., 2025a). Malaysia represents an instructive model due to its success in integrating sharia-based zakat management systems with a nationally coordinated digital policy that is adaptive to contemporary challenges.

Conceptually, zakat serves both spiritual and social functions. Within the framework of the modern state, however, it also plays a strategic role in economic redistribution and the reduction of social inequality. Institutions such as Lembaga Zakat Selangor (LZS) and the Pusat Pungutan Zakat Wilayah Persekutuan (PPZ-WP) manage zakat systematically under state-level regulations. These institutions not only collect and distribute zakat funds but also function as laboratories for innovation in Islamic financial technology (Zulkifley & Muneeza, 2024). Consequently, zakat has transformed from a financial ritual into a data-driven social justice system emphasizing efficiency, accountability, and transparency.

The acceleration of zakat digitalization in Malaysia became particularly evident in the post–COVID-19 period. The adoption of online systems such as e-zakat platforms, mobile payments, and digital dashboards has expanded service coverage while simultaneously reducing institutional operational costs ("Digitalization of Zakat Collection System in Malaysia," n.d.). For instance, data from LZS indicate that digital zakat payments exceeded 60 percent in 2022, reflecting a significant shift in muzaki behavior toward faster and more secure cashless systems. This trend has not only enhanced collection efficiency but also strengthened public trust in zakat institutions as credible actors in Islamic social finance.

Furthermore, digitalization enables more precise data management through integrated database systems. One of the long-standing challenges in zakat management has been the accurate identification and mapping of mustahik. Through the application of big data analytics, institutions such as PPZ-WP are now able to implement evidence-based distribution using measurable socio-economic indicators (Sarif & Ariyanti, 2025). This data-driven approach reduces the risk of duplication, ensures equitable distribution, and enhances internal accountability. From an academic perspective, this development indicates a shift from a charity-based zakat model toward a data-oriented social development framework.

From an efficiency standpoint, digitalization has demonstrably accelerated processing times and improved the ratio of distribution to collection. Institutional transparency has also increased with the implementation of publicly accessible online reporting systems. LZS, for example, has introduced a transparency dashboard displaying real-time data on fund collection and disbursement (Sari & Herviana, 2024). This initiative aligns with the principles of good governance and reinforces trust capital between zakat institutions and the public. As noted by Sarif and Ariyanti, public trust constitutes a critical variable in the success of digital

zakat systems, as it is directly linked to muzaki compliance and loyalty (Sarif & Ariyanti, 2025).

From a social perspective, digitalization has also transformed the relationship between muzaki and mustahik. Interactions that were once personal are now mediated by technological systems. Although this shift carries the potential risk of emotional distance, empirical studies suggest that digital systems can broaden the reach of social justice, particularly for rural communities and marginalized regions (Laylo, 2023). Through location-based distribution systems and needs-based algorithms, zakat can reach new categories of mustahik, including informal workers and populations affected by the digital divide. Thus, when accompanied by inclusive policies, technology can expand rather than diminish the humanitarian dimension of zakat.

Public policy support has emerged as a key factor in the success of this transformation. The Malaysian government, through the Malaysia Digital Economy Corporation (MDEC), has played an active role in integrating zakat systems into the national digital economy framework (Zulkifley & Muneeza, 2024). Collaboration between MDEC and zakat institutions has strengthened the digital ecosystem by enabling social data integration, electronic payment infrastructure, and transaction security. This policy orientation aligns with the Malaysia Madani vision, which emphasizes a balance between technological advancement and Islamic values. Accordingly, digital zakat is not merely a financial innovation but a strategic instrument of social policy.

Nevertheless, zakat digitalization continues to face significant challenges. Data security and privacy concerns remain critical issues requiring serious attention. Digital systems are vulnerable to cyberattacks, data breaches, and algorithmic manipulation if not subject to robust oversight mechanisms (Manaf et al., 2025a). In addition, disparities in digital literacy between urban and rural populations persist as a structural barrier. Therefore, technology-based training for zakat officers and enhanced public outreach are essential to ensure that digitalization remains inclusive rather than exclusive.

The ethical and sharia dimensions of zakat digitalization also warrant close scrutiny. The use of Artificial Intelligence (AI) to determine mustahik eligibility raises questions regarding moral authority and the legitimacy of data-driven decision-making (Rakha, 2023). Islamic scholars emphasize that AI must operate within the framework of maqasid al-shariah, prioritizing the principles of justice (‘adl) and public welfare (maslahah). From a global perspective, Malaysia’s experience in zakat digitalization has become a reference point for many Muslim-majority countries. Nations such as Indonesia, Brunei, and Qatar have adopted smart technology–based zakat management models inspired by the Malaysian system (Salleh & Chowdhury, 2020).

Islamic economists may examine its impact on efficiency and social development; data scientists may investigate system security and integration; while sociologists of religion may explore shifts in values and spiritual meanings associated with digital zakat (“Zakat and Waqf Technology,” n.d.). Digital zakat

thus functions not only as a mechanism for fund collection but also as a symbol of moral revitalization within the Muslim community, positioning technology as a means to realize social justice (Johori et al., 2024). In this sense, zakat digitalization stands as tangible evidence that spiritual values can coexist harmoniously with technological innovation for the welfare of humanity.

Integration of Artificial Intelligence in the Zakat Distribution System

One area increasingly open to such digital innovation is the zakat distribution system. In Malaysia, where zakat governance is already professionally regulated through formal institutions, there has emerged a growing need to utilize AI to enhance the efficiency and accuracy of zakat distribution. This approach is not merely technical in nature but also moral and spiritual, as zakat represents an instrument of social justice that embodies both devotional and humanitarian dimensions (Manaf et al., 2025a).

Within the administrative context of zakat, the primary challenges lie in the accuracy of mustahik data collection and the effectiveness of distribution in addressing real needs on the ground. Traditionally, the processes of identifying and verifying beneficiaries have been time-consuming and vulnerable to manual errors. AI offers a solution by employing machine learning techniques to analyze socio-economic data, assess levels of need, and identify priority areas based on poverty intensity, geographical isolation, or disaster conditions (Shaikh, 2018). Through this mechanism, data-driven approaches replace subjectivity and strengthen institutional accountability in zakat management.

The application of intelligent algorithms within zakat distribution systems holds significant potential to optimize beneficiary mapping. Through big data analytics, AI can classify mustahik into asnaf categories with greater precision. For example, recipients from the fi sabilillah or gharimin categories may be identified through patterns in their digital economic behavior, such as online transactions or micro-financial records. In practice, such systems can assist institutions like Lembaga Zakat Selangor (LZS) in determining beneficiary priorities and tailoring assistance schemes, whether in the form of cash transfers, vocational training, or entrepreneurship support (Laylo, 2023).

Beyond technical efficiency, AI also plays a crucial role in preventing duplication of assistance, a common issue in conventional zakat distribution. Through cross-institutional data integration, AI systems can detect individuals or households that have previously received aid, thereby mitigating distributional imbalance. This function reinforces the Islamic principle of ‘adl (justice), which emphasizes clarity of entitlement and proportionality in zakat allocation. Consequently, AI-based systems help preserve social equity and ensure that no segment of society is overlooked (Salleh & Chowdhury, 2020).

However, the application of AI in the context of zakat cannot be detached from ethical and sharia considerations. A critical question concerns the extent to which intelligent algorithms can interpret Islamic concepts of justice without

losing spiritual sensitivity and humanitarian concern. Therefore, the integration of Islamic ethics with modern technology is essential to ensure that AI systems remain aligned with the objectives of maqasid al-shariah, particularly in safeguarding wealth, justice, and collective welfare (Manaf et al., 2025b).

At the institutional level, Malaysia has demonstrated significant early progress through the digitalization of zakat institutions such as the Pusat Pungutan Zakat Wilayah Persekutuan (PPZ-WP). PPZ-WP has developed e-zakat systems and intelligent applications to manage muzaki and mustahik data online. The integration of AI into these platforms represents a subsequent stage that enables automated data verification, prediction of community needs, and evaluation of the social impact of zakat distribution (Salleh & Chowdhury, 2020). In this regard, AI functions not merely as an administrative tool but as a strategic instrument for data-driven policy planning.

From an efficiency perspective, AI can accelerate decision-making and zakat fund allocation through predictive modeling. For instance, AI systems can project the demand for productive zakat based on trends in unemployment, inflation, and income levels. These analytical outputs provide zakat institutions with a robust foundation for designing more targeted empowerment programs. Pilot implementations of such models in several regions of Malaysia have demonstrated efficiency improvements of up to 35 percent compared to manual systems (Tarshany, 2025).

Moreover, the use of AI opens avenues for cross-sector collaboration among zakat institutions, government agencies, and the technology sector. Such collaboration fosters the development of a transparent and inclusive digital zakat ecosystem. When combined with blockchain technology, AI enables real-time tracking of zakat distribution, ensuring that every unit of zakat funds is utilized responsibly and remains publicly auditable (Santoso, 2019). This approach reinforces public trust in zakat institutions as modern, transparent, and accountable public entities.

From a theological perspective, AI can be understood as part of humanity's effort to fulfill its role as khalifah (steward) on earth. The use of AI in zakat management does not replace human responsibility but rather enhances the human role in managing resources justly and efficiently. In this sense, technology becomes a means to expand the blessings of zakat, reach a broader range of beneficiaries, and strengthen social solidarity.

Analysis of Sharia Efficiency through the Utilization of Intelligent Technology

The development of digital technology and Artificial Intelligence (AI) has become a transformational factor across various sectors, including Islamic social finance institutions such as zakat. Amid the advancement of information systems and big data analytics, a fundamental question arises: to what extent can the application of such technologies remain aligned with sharia principles that emphasize honesty (sidq), trustworthiness (amanah), and justice ('adl)? In the

Malaysian context, this analysis becomes increasingly significant as zakat institutions move toward comprehensive digitalization with the support of governmental and religious authorities (Rahman, 2024).

Sharia efficiency may be understood as the integration of speed, accuracy, and adherence to Islamic values within the zakat management process. In this regard, intelligent technology functions as a supporting instrument to enhance institutional performance without diminishing the spiritual and social dimensions of zakat itself. The implementation of AI-based systems, for instance, can accelerate the identification of mustahik, minimize administrative errors, and strengthen reporting transparency. However, efficiency in the Islamic framework is not merely a matter of technical productivity but also of the barakah (blessing) generated by the process and its outcomes. Therefore, it is essential to ensure that technological utilization remains within the framework of maqasid al-shariah (Zulkifley & Muneeza, 2024).

Automation systems and big data analytics indeed enable remarkable efficiency, yet they should not eliminate the humanitarian dimension of zakat services. Algorithms may determine eligibility based on economic data, but final decisions should still consider empathy and social context—elements that cannot always be fully captured by machines. This underscores the central role of human agency as khalifah fi al-ard, responsible for governing technology in an ethical and worship-oriented manner. Through the integration of cloud-based zakat information systems and AI, these institutions are able to process thousands of transactions rapidly, generate automated reports, and identify community needs in real time. Such implementation has been shown to increase operational efficiency by up to 40 percent compared to conventional methods (Manaf et al., 2025a).

The principle of honesty (sidq) within digital zakat systems is closely linked to data integrity. Intelligent technologies can enhance accuracy through automated verification mechanisms and audit trail systems that permanently record every transaction. This significantly reduces the potential for data manipulation or misuse of funds. However, honesty must also be reflected in algorithmic transparency: zakat institutions are obligated to ensure that computational logic and decision-making processes can be openly audited and are consistent with Islamic legal principles (Tarshany, 2025). This approach fosters public trust and strengthens the legitimacy of digital zakat institutions.

Meanwhile, amanah in the technological context entails the responsible use of digital systems to safeguard the confidentiality and security of muzaki and mustahik data. AI deployed without adequate data protection mechanisms risks ethical and legal violations. Consequently, sharia efficiency must encompass cybersecurity as an integral component of moral and spiritual responsibility. In Malaysia, this concern has gained institutional recognition through the issuance of digital ethics guidelines by the Jabatan Agama Islam Wilayah Persekutuan (JAWI), aimed at ensuring that technological innovation remains consistent with Islamic values (Rosele et al., 2022).

The principle of justice (‘adl) constitutes a central pillar in evaluating sharia efficiency. Intelligent technologies possess the capacity to enhance distributive justice through data-driven needs assessment systems. For example, machine learning can analyze poverty levels based on economic and social indicators, enabling zakat funds to be allocated to those most in need. However, algorithmic justice does not always equate to social justice. If the underlying data are biased or incomplete, AI systems may generate new forms of inequality. Therefore, sharia-based algorithmic audits are essential to ensure that AI-driven decisions remain just and aligned with maqasid al-shariah (Rizal & Pakkanna, 2023).

From a sharia analytical perspective, efficiency cannot be separated from the dimension of maslahah (public benefit). The use of intelligent technology must generate tangible benefits for the ummah and avoid harm (mafsadah). In this context, digital efficiency extends beyond cost and time savings to include the expansion of zakat outreach to underserved communities. The adoption of AI by Malaysian zakat institutions has increased the distribution of productive zakat by up to 27 percent, particularly in rural areas. This indicates that technology can serve as a means of amplifying the social benefits of zakat in line with Islam’s collective welfare orientation (Rosele et al., 2022).

Nevertheless, zakat digitalization also raises epistemological challenges concerning the relationship between humans, technology, and sharia. Can algorithm-based decisions be considered sharia-compliant if they exclude human intention (niyyah) and moral deliberation? Such questions necessitate an interdisciplinary approach that integrates zakat jurisprudence, Islamic ethics, and technology studies. This illustrates that sharia efficiency is not a static concept but rather the outcome of continuous dialogue between religious values and modern innovation (Laylo, 2023). Accordingly, sharia efficiency achieved through technology encompasses not only administrative effectiveness but also social efficiency in building trust and communal solidarity (Tarshany, 2025).

Looking ahead, a key strategic step is the institutionalization of a Sharia Compliance Technology Assessment, a mechanism designed to evaluate the alignment of digital systems with Islamic values. Institutions such as Bank Negara Malaysia and State Islamic Religious Councils (Majlis Agama Islam Negeri) can serve as supervisory bodies to ensure that technologies adopted by zakat institutions meet maqasid al-shariah standards. This approach would further strengthen Malaysia’s position as a global pioneer in ethically grounded digital zakat governance (Manaf et al., 2025a). In conclusion, achieving sharia efficiency through the utilization of intelligent technology is not merely a technical endeavor but a paradigmatic transformation in zakat governance. By integrating the sophistication of AI with the depth of Islamic values, zakat institutions can develop systems that are fast, transparent, and just.

Ethical Implications and Challenges of AI Utilization in Zakat Management

The development of Artificial Intelligence (AI) has brought significant changes across various aspects of life, including the sector of Islamic philanthropy such as zakat management. AI has begun to be applied in processes ranging from the identification of mustahik (zakat beneficiaries), fund distribution, to the evaluation of zakat institutions' performance. However, alongside these advancements, fundamental questions arise regarding the ethical implications and moral responsibilities accompanying its use. Zakat management is not merely an administrative or technical process but also a spiritual and social activity rooted in humanitarian values such as justice, empathy, and trust (amanah) (Kabir Hassan, 1999). Therefore, the application of AI requires caution to ensure that technology does not displace the humanistic spirit inherent in the zakat system.

AI fundamentally operates on principles of efficiency and data-driven accuracy. In the context of zakat, algorithm-based systems can assist amil institutions in mapping mustahik more rapidly and transparently, minimizing distribution errors, and enhancing public accountability (Rahman, 2024). Nevertheless, high efficiency often carries ethical consequences, particularly when algorithms function without considering the spiritual and social dimensions of zakat recipients. This situation gives rise to a dilemma between technological efficiency and sensitivity to Sharia principles. AI systems that are not designed in accordance with Islamic notions of justice risk producing biased decisions, potentially creating new forms of inequality in zakat distribution.

One of the most prominent ethical issues in the use of AI is algorithmic bias. In digital zakat systems, such bias may occur when training data do not adequately represent the social and economic diversity of the Muslim community. For instance, more comprehensive data from urban areas may lead the system to prioritize assistance for urban populations, while marginalized rural groups are overlooked (Iqbal et al., 2025). Ethically, this contradicts the Islamic principle of distributive justice, which demands equitable and substantive fairness for all segments of society.

Beyond algorithmic bias, another critical challenge concerns data privacy and security for mustahik. AI-based zakat management requires access to sensitive personal information, including economic conditions, family background, and even recipients' locations. If inadequately protected, such data may be misused or exposed to unauthorized parties (Absar, 2024). From a Sharia perspective, safeguarding the confidentiality of mustahik data constitutes an integral part of the principle of amanah and sitr al-muslim (protecting the dignity and privacy of fellow Muslims). Accordingly, the deployment of AI in zakat management must be supported by robust data protection systems that align with Islamic digital ethics (Iqbal et al., 2025).

Furthermore, the application of AI in zakat services poses the risk of dehumanization, namely the erosion of human interaction between amil and mustahik. Fully automated digital zakat services may eliminate the elements of empathy and compassion that have traditionally formed the spiritual core of

Islamic social worship. The spiritual relationship between zakat donors and beneficiaries may be replaced by a mechanistic interaction between humans and machines (Kasjin & Nairoos, 2025). In the framework of maqasid al-shariah, zakat is not solely an economic transfer but also a means of fostering social solidarity and purifying the human soul from greed.

Within Islamic ethical discourse, the principle of maslahah (public interest) serves as a primary benchmark for evaluating the legitimacy of technological adoption. If AI is utilized to expand the benefits of zakat, accelerate services, and ensure fair distribution, its application may be deemed consistent with maqasid al-shariah (Rizal & Pakkanna, 2023). Conversely, if its use generates harm (mafsadah), such as social inequality or privacy violations, the implementation must be reconsidered. Therefore, every digital zakat institution should develop a Sharia-based AI ethics framework that prioritizes humanitarian and spiritual values over algorithmic efficiency.

Moral responsibility is another crucial aspect of this discussion. AI operates automatically based on human-designed instructions and data. Consequently, when errors in distribution or algorithmic discrimination occur, ethical accountability remains with humans as system designers and managers. In Islamic thought, any decision affecting human welfare must involve intention (niyyah) and responsibility (mas'uliyyah). Thus, AI should never be used as a justification to evade the moral responsibility of zakat institutions toward mustahik (Manaf et al., 2025a).

In addition, transparency and explainability within AI systems are essential. In zakat management, every distribution decision must be explainable rationally and openly to the public. If algorithmic decisions function as a "black box," they risk violating the Islamic principle of hisbah (public oversight). Algorithmic transparency is not merely a demand of modern technology but also an expression of moral accountability in Islamic governance. Therefore, AI development in the zakat sector must be oriented toward openness, clarity, and public responsibility.

Another significant challenge lies in the readiness of human resources within zakat institutions to adapt to the digital era. Many zakat organizations focus primarily on technical digitalization while neglecting the ethical and spiritual capacity building of their administrators. In fact, the ability to understand fiqh al-zakat and digital ethics is as important as technical proficiency in operating AI systems (Tarshany, 2025). Accordingly, ethical technology education and training for zakat administrators must be strengthened so that they function not merely as system operators but also as guardians of technological morality.

The implementation of AI also necessitates appropriate regulatory frameworks and legal guidelines grounded in Sharia principles. In countries such as Malaysia and the United Arab Emirates, Islamic fintech regulations have been developed to emphasize ethical considerations and Sharia compliance in the use of digital technologies for social services (Manaf et al., 2025b). Indonesia and other Muslim-majority countries may adopt similar models by strengthening

national regulations that balance digital innovation with spiritual protection. Such regulations not only safeguard mustahik but also preserve the moral legitimacy of zakat institutions in the public sphere (Manaf et al., 2025a).

Ethical challenges in the use of AI for zakat management are unavoidable, yet they can be anticipated through a holistic Sharia-based approach. The principles of maslahah, amanah, and justice must form the foundation of every digital innovation in the zakat sector. Technology may function as a tool to enhance performance, but humans must remain the moral center that determines its direction. Consequently, AI-based digital zakat systems can be not only efficient and modern, but also dignified, just, and deeply humane, in accordance with the essence of Islam as a religion that upholds human dignity.

Prospects and Development Directions of AI for Zakat-Based Social Justice

Artificial Intelligence (AI) has increasingly evolved into a strategic instrument for advancing social justice agendas across Muslim-majority countries, including Malaysia. Within the framework of Islamic economics, AI functions not merely as a tool for automation and data analysis, but also as a medium for reinforcing the spiritual and social values embedded in zakat. The application of AI in the zakat sector reflects a paradigmatic shift in which technology is no longer viewed solely as a technical instrument, but also as a moral mechanism for addressing social inequality and strengthening communal solidarity (Rosele et al., 2022). Accordingly, the prospects for developing zakat-based AI pave the way toward a more efficient, transparent, and just Islamic financial system.

Malaysia occupies a pivotal position in the global landscape of digital zakat development. Through institutions such as Lembaga Zakat Selangor and the Federal Territory Zakat Collection Center (PPZ-WP), the government and religious authorities have sought to integrate digital technologies, including AI, to enhance the performance of zakat institutions. These innovations aim to position zakat not only as a mechanism for wealth redistribution, but also as a sustainable instrument for empowering mustahik economically (Johori et al., 2024). From a public policy perspective, strong state support for digital infrastructure and Sharia-compliant fintech regulations constitutes a key determinant of the successful development of zakat-based AI.

Operationally, AI holds significant potential to improve the effectiveness of zakat systems. It can be employed to accurately identify mustahik through socio-economic data analysis, predict the needs of vulnerable communities, and optimize zakat distribution to ensure precise targeting (Iqbal et al., 2025). Moreover, machine learning enables zakat institutions to dynamically map poverty trends and respond adaptively to changing social conditions. In this sense, AI-driven digital zakat can evolve into an intelligent social system capable of minimizing inequality and promoting equitable economic distribution within the Muslim community.

Nevertheless, realizing this vision requires that the development of AI in zakat be grounded in a robust Sharia ethical framework. Advanced technology devoid of moral values risks generating new forms of inequality, whereby access to digital zakat services is enjoyed only by certain segments of society. Therefore, the principles of justice (al-'adl) and public welfare (maslahah) must underpin every policy design and research initiative related to zakat-based AI. From the perspective of maqasid al-shariah, zakat aims not only to alleviate material poverty, but also to foster social harmony and spiritual well-being within society.

The prospects for AI development in zakat also depend on synergy among three key pillars: public policy, academic research, and collaboration with religious institutions. Governments play a crucial role in providing regulatory frameworks and digital infrastructure that ensure data security and equitable access. Universities and research institutions can contribute by developing algorithmic models aligned with Islamic financial principles and distributive justice. Meanwhile, religious institutions bear the moral responsibility of ensuring that technological applications remain within the boundaries of maqasid al-shariah (Rashid et al., 2022). The interaction among these three pillars forms the foundation of an inclusive and just digital zakat ecosystem.

From a social perspective, the application of AI in zakat has the potential to extend services to marginalized communities that were previously difficult to reach. Through big data analytics, zakat institutions can more accurately identify vulnerable groups and formulate distribution strategies based on real needs. This approach not only enhances efficiency but also revitalizes the spirit of ukhuwah islamiyah in a contemporary context. In other words, AI can serve as an instrument for restoring the ethos of Islamic social justice amid the dynamics of global digitalization.

Despite these opportunities, the development of AI in the zakat context is not without challenges. One of the most critical issues is ensuring that algorithms do not generate social bias or digital discrimination. In AI systems, imbalanced data can result in algorithmic bias, whereby certain groups receive disproportionate benefits compared to others. Such outcomes contradict the Islamic principle of justice, which demands equitable treatment and equal rights for every individual (Laylo, 2023). Consequently, academic research in zakat-based AI must prioritize the development of ethical algorithms that accurately represent the social diversity of the Muslim community.

In addition to bias-related concerns, data security and mustahik privacy constitute major challenges. Sensitive information collected by AI systems, such as income levels or geographic locations, is vulnerable to misuse if not securely managed. From a Sharia perspective, safeguarding the confidentiality of zakat beneficiaries' data is integral to the principles of amanah and sitr al-muslim (protecting the dignity of fellow Muslims) (Tarshany, 2025). Accordingly, AI governance policies must incorporate stringent data protection standards grounded in Islamic moral values.

Future development directions also necessitate substantial investment in human resource capacity building. Zakat administrators must not only master the technical aspects of technology but also possess a strong understanding of Islamic digital ethics and social justice principles. Multidisciplinary training programs that integrate fiqh al-zakat, information technology, and AI ethics will cultivate a generation of digitally competent and morally grounded amil zakat. Such initiatives are essential to ensure that zakat management in the digital era retains its identity as an act of social worship rooted in the values of tawhid and human dignity.

Another promising prospect is the development of a cross-sectoral and transnational AI-based zakat ecosystem. Malaysia, as a hub of Islamic economics in Southeast Asia, has the potential to serve as a benchmark for other countries in integrating AI with national zakat systems. International collaboration among zakat institutions, Sharia-compliant fintech entities, and research organizations can enhance the sustainability of the global Islamic economic system (Manaf et al., 2025a). Through such collaborative efforts, AI-driven zakat may emerge not merely as a local instrument, but as a global symbol of Islamic social justice.

From a theological standpoint, the future direction of zakat-based AI development should reinforce Islam's fundamental objectives: upholding justice and empowering the ummah. AI should not be perceived as a replacement for spiritual values, but rather as a wasilah (means) to accelerate the realization of public welfare. When guided by Sharia principles, AI can enhance social awareness of collective responsibility and expand the impact of zakat in addressing structural poverty (Manaf et al., 2025b). Malaysia possesses significant potential to pioneer a just digital zakat system, provided that AI development is oriented not merely toward technical efficiency but also toward the preservation of humanistic values. AI grounded in maqasid al-shariah can foster a zakat system that is not only modern and effective, but also just, inclusive, and imbued with the spirit of rahmatan lil 'alamin.

CONCLUSION

The integration of Artificial Intelligence (AI) into the zakat distribution system in Malaysia demonstrates that modern technology can serve as an effective instrument for achieving efficiency and social justice in line with the principles of maqasid al-shariah. Through the implementation of intelligent algorithms and integrated data systems, institutions such as Lembaga Zakat Selangor (LZS) and the Federal Territory Zakat Collection Center (PPZ-WP) have successfully enhanced transparency, accelerated disbursement processes, and strengthened public accountability. AI plays a significant role in mapping the needs of mustahik, preventing duplication of assistance, and enabling more accurate, data-driven distribution decisions. Thus, the use of intelligent technology not only supports administrative efficiency but also reinforces the

core values of amanah (trustworthiness), justice, and public welfare that constitute the very spirit of zakat.

Nevertheless, the success of AI implementation remains contingent upon the alignment between technological advancement and Islamic ethical values. The application of artificial intelligence without moral guidance may lead to risks such as algorithmic bias, violations of privacy, and the dehumanization of zakat services. Therefore, every digital innovation must be situated within a framework of spiritual responsibility, upholding the principles of maslahah, 'adl, and ihsan. This study affirms that the future of a just and ethical digital zakat system can only be realized through collaboration among scientific knowledge, public policy, and Sharia ethics. When managed wisely and grounded in humanistic values, AI is not merely a tool for efficiency, but also a spiritual medium for promoting social justice and strengthening the welfare of the ummah in the digital era.

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