

DISTRIBUTION STRATEGIES FOR ASNAF GHARIMIN AT LEMBAGA ZAKAT SELANGOR

NUR SYAFIQAH IRMARONI¹ & NURUL ILYANA MUHD ADNAN²

¹ Faculty of Islamic Studies, Universiti Kebangsaan Malaysia

² Faculty of Islamic Studies, Universiti Kebangsaan Malaysia

ABSTRACT: Zakat alleviates financial hardships among eligible recipients, including asnaf *gharimin* (indebted individuals). In Malaysia, particularly in Selangor, households' debt has risen to an alarming level, necessitating strategic interventions from zakat institutions, Lembaga Zakat Selangor (LZS). However, studies indicate that zakat distribution to asnaf *gharimin* remains relatively low, below 10% of total zakat distribution. This study aims to examine the strategies implemented by LZS in distributing zakat to asnaf *gharimin* to alleviate the financial burden of debt and ensure effective and equitable distribution. Data was collected through semi-structured interviews with zakat officers and document analysis of official LZS reports, journal articles, and regulatory guidelines. Data were analyzed thematically to patterns in zakat distribution strategies. The findings reveal that LZS employs a systematic approach to zakat distribution including a systematic application and verification process, direct payment to service providers, the innovative use of technology such as blockchain and apps, which has the potential to revolutionize zakat distribution, the appointment of mosque and surau committee members as assistants amils to identify eligible recipients at the community level and regular monitoring and evaluation to ensure effectiveness. However, challenges persist, such as applicants' reluctance to provide accurate information, dependence on zakat despite alternative financial assistance, and funding constraints due to the limited zakat collection. By addressing these challenges, Zakat institutions can enhance their role in promoting social and economic justice. Therefore, strengthening the monitoring system, expanding awareness campaigns, and increasing collaboration with Islamic financial institutions are necessary to ensure long-term distribution effectiveness. The findings are anticipated to contribute to the discourse on zakat management and provide insights for policymakers to optimize financial aid for indebted individuals while ensuring sustainability in zakat fund allocations.

Keywords: Zakat, Asnaf Gharimin, Lembaga Zakat Selangor, Debt Alleviation, Islamic Finance, Zakat Distribution Strategies.

I. Introduction

Zakat, the third pillar of Islam, is a crucial social and financial instrument that upholds the welfare of Muslims. It is not just an obligation, but a form of worship that enhances one's connection with Allah. Simultaneously, zakat supports those who are less fortunate or in need. This financial tool plays a significant role in Islamic finance, promoting principles of cooperation and compassion (Md Yusof & Md Tahir 2015).

The level of household debt in Malaysia is at an alarming stage. According to the Minister of Finance, Dato' Seri Anwar Ibrahim, Malaysia's total household debt stands at RM 1.53 trillion, with an average annual growth rate of 5.1% from 2018 to 2023. The cause of the increase in household debt is because of government and private sector incentives for home ownership as well as the Sales and Services Tax (SST) exemption for motor vehicles purchased between 2020 and 2022, which contributed to a rise in housing and vehicle loan (Fahmy A Rosli 2024). Debt not only causes depression, it reduces confidence for borrowers, but it also affects their behavior and moral character (al-Qardawi 2000). These issues should not be taken lightly and require intervention from the government, particularly zakat institutions, to assist the Muslims in Malaysia.

There are four groups prioritized in the Shafi'i school of thought: the poor (*fakir*), the needy (*miskin*), those in debt (*gharimin*), and the travelers (*ibn sabil*) (Mohamad Uda Kasim 2005). Despite the prioritized, a study from

Siti Mazlita Yamaludin & Sharifah Faigah Syed Alwi (2023) shows the distribution of zakat assistance to the asnaf al-gharimin ranged from 0.0002% to 7.8%. Generally, most zakat distributions to asnaf gharimin in each state in Malaysia are less than 10% from the overall distribution of zakat. Therefore, this study explicitly examines LZS's strategy in zakat distribution to Asnaf Gharimin to alleviate the burden of those in debt.

The methodology used in this study to investigate the strategies employed by LZS for zakat distribution to asnaf gharimin involves a qualitative research design. The data collection methods include both primary and secondary sources. Primary data were gathered through semi-structured interviews with two respondents with expertise and authority in zakat management. These aimed to explore the concepts and strategies of zakat distribution despite the challenges. Secondary data were collected through document analysis involving resources such as article journals and official documents from LZS. This method provides comprehensive information on zakat distribution concepts and strategies and validates the interview data. The data analysis aims to identify and analyze patterns or themes within the qualitative data and use an inductive approach to develop themes and concepts from the raw data.

II. Findings and Discussions

Definition and eligibility of gharimin

According to Wahbah Zuhaili (2011), gharim is an individual who has a large debt. According to al-Qurtubi (2006), Hanafi scholars state that gharimin are those who do not possess *nisab* (the minimum amount of wealth that makes one liable to pay zakat) and must settle their debts. Meanwhile, Maliki, Shafi'i and Ahmad scholars distinguish between personal debts and debts incurred for social and political responsibilities. Individuals who incur personal debts do so to meet basic needs such as food, shelter or medical treatment. Debts for social and political responsibilities include reconciling disputes or financing public welfare. The eligibility criteria for receiving zakat are that the debtor cannot repay the debt without significant hardship, and the debt must be for reasons permitted by Shariah and necessary, not for extravagance or sinful purposes. Zakat can be used to settle debts that have matured or require immediate payment. The distribution method is to pay the creditors directly, and priority is given to urgent financial needs.

Based on the scholars' definitions, it can be concluded that gharimin are individuals who incur personal debts for reasons mandated by the Shariah and cannot repay those debts, as well as individuals who take on debt to reconcile disputes between two parties out of responsibility.

LZS defined al-gharimin as a Muslim who has debt to fulfill his needs for himself or the community and is unable to repay the debt (Officer A).

III. Zakat Mechanism of Application And Verification for Asnaf Gharimin

LZS has developed a systematic mechanism of application and verification of asnaf gharimin. The process involves several steps:

1. Eligibility criteria.

Applicants seeking zakat assistance as asnaf gharimin must meet the eligibility criteria below:

- Be a Muslim and reside in Selangor.
- In debt to meet basic needs such as medical expenses, education or welfare.
- Lack of sufficient financial resources to repay the debt.
- Submit supporting documents as proof of eligibility (Officer A 2025).

2. Documentation

Applicants need to provide several important documents to provide their status as proof of eligibility. The required documents include:

- Applicants' and dependents' identification cards.
- Marriage certificate or children's birth certificate.
- Debt confirmation letter from relevant parties.
- Doctor's confirmation letter for medical-related debt.
- Other documents prove the applicant's inability to repay the debt (Officer A 2025).

3. Application method

According to Officer A (2025), applications can be submitted online or manually. Online applications can be made by accessing the LZS portal to submit the application and upload the required documents. Online applications

facilitate the process for applicants who may not be able or healthy enough to visit branches in person. However, for applicants who prefer to meet with an officer, manual applications can be made by visiting the nearest LZS office to fill out a physical application form. LZS has established 19

Branches throughout Selangor make it easy for applicants to process the application for zakat assistance (Lembaga Zakat Selangor n.d.). Mohd Shahril Ahmad Razimi et al. (2016) also support using ICT in the application process as it helps zakat institutions reach targeted communities, especially those in rural areas.

4. Verification

Once the application is received, LZS officers will review the submitted documents. If there are any doubts, the officer will conduct field investigations to verify the accuracy of the information provided. Applications that do not meet the requirements will be rejected with an official notification to the applicant. Additionally, the authentication of the information submitted by the applicant will be checked. The information includes the doctor's confirmation letter and treatment costs from the hospital and clinics.

IV. Distribution strategies

According to Mohd Rahim Khamis et al. (2024), systematic zakat fund distribution reduces income disparities within the Muslim community and society. Therefore, LZS has implemented various strategies for distributing zakat to asnaf gharimin to ensure that assistance is provided effectively and reaches those who truly need it. These strategies are designed to prevent the misappropriation of zakat funds and ensure applicants receive optimal benefits.

1. Distribution based on needs.

Zakat allocated to asnaf gharimin focuses on paying off debts related to basic needs by Shariah principles. LZS has categorized these needs into two main categories:

- Personal basic needs debts are incurred to meet essential needs such as medical expenses, education, housing, and food. For example, someone unable to pay hospital treatment costs can receive assistance from zakat funds.
- Debts for guaranteeing others: These debts arise when someone guarantees another person's debt and must bear the burden due to the guaranteed party's inability to repay, provided the debt was for essential needs.

Applicants who meet these criteria will be considered for Zakat assistance through the distribution mechanism established by LZS. However, individuals who borrow from loan sharks (ah long) bankrupt companies are not categorized as asnaf gharimin. LZS does not aid those in debt to loan sharks because their operations are seen as a scheme with an endless chain of loans.

Officer A stated: "So far, we (LZS) do not assist companies, only individuals (for bankruptcy). We once helped someone involved with ah long; at that time, the person's house had been splashed with red paint. However, when we looked into the trend of ah long debt and our experience in helping, we found that ah long operations are is a scammer (system). The ah long network sometimes encourages people to borrow from them, and when the borrower cannot repay, they refer the borrower to another ah long to pay the debt, and the borrower owes a new ah long. This cycle continues (and) creates a burden on the borrower. After that, we decided not to help those entangled in a long debt".

2. Direct payment to service providers

LZS employs a direct payment system to relevant service providers to ensure that zakat funds are used efficiently. This method is effective in preventing the misuse of funds by aid recipients. It replaces the old method where LZS provided the aid funds directly to recipients, sometimes leading to misuse and tarnishing LZS's reputation (Officer A). The forms of direct payment include:

- Payment for medical treatment or medication: LZS issues a guaranteed letter for the asnaf to receive the necessary treatment or medication. Hospitals or clinics then submit claims to LZS, which pays the service provider directly. As a result, the asnaf only receive the services. For example, for dialysis patients who cannot afford regular treatment costs, LZS issues a guaranteed letter to the hospital or treatment center allowing the applicant to undergo treatment without worrying about medical expenses.
- Housing assistance: Rent payments or housing assistance are paid directly to landlords or housing developers (Officer A 2025).

3. Used technology in zakat management

Optimizing the use of technology significantly impacts the management of zakat collection and distribution by enhancing efficiency, accountability, and transparency, thereby increasing the credibility of zakat institutions (Wan Nur Azira Wan Mohamed Salleh et al., 2022). Consequently, LZS continuously adapts the latest technology to improve the effectiveness of zakat distribution. One of the technologies to be implemented is blockchain. This technology will be used to track the distribution of zakat funds. Reports from blockchain will be automatically recorded in the system allowing users of the upcoming application to track the zakat funds easily. Additionally, LZS uses the e-wakalah application to facilitate the zakat distribution process. Furthermore, LZS has launched the e-Zo (Electronic Zakat Online) application, which allows payers and recipients to update information online or pay zakat without visiting a physical counter. This system ensures more efficiency (Officer A 2025).

The use of technology also increases the trust in zakat institutions. Trust depends on the transparency and accountability of zakat institutions (Teh Suhaila Tajuddin & Nur Fikhriah Takril 2023). Transparency and accountability in zakat distribution can be achieved using blockchain technology, which provides a decentralized digital ledger, data security and integrity, smart contracts, and direct fund tracking. Each transaction is stored in an openly decentralized digital ledger that all stakeholders can audit and monitor directly. This system cannot be altered or manipulated due to the verification process by a network of computers (nodes), making it challenging to misappropriate zakat distribution. The smart contracts can automatically channel assistance to recipients once they meet the established eligibility criteria (Muhammad Nur Aqmal Khatiman et al. 2021).

4. The role of mosque and surau committee members as assistant amils

LZS appoints mosque and surau committee members (AJK) as assistant amils in their communities. Officer A (2025) stated:

“For your information, LZS appoints mosque and surau committee members as assistant amils in their communities. We believe that these assistants are well acquainted with the people in their Communities. If there are issues, not just with gharimin but also with the poor, the needy, the converts, and others (asnaf), we appoint them to be LZS's eyes and ears and identify those in need.

These assistant amils play a crucial role as LZS's eyes and ears at the community level. They are responsible for identifying individuals eligible to receive zakat, including asnaf gharimin. With the presence of assistance amils, LZS can ensure that information about those in need is conveyed quickly and accurately.

5. Monitoring and evaluation

According to Tengku Mohd Azizuddin Tuan Mahmood et al. (2021), the Zakat institution often faces challenges in identifying monthly recipients, leading to difficulties monitoring recipients who may have passed away, moved to a different location, or are no longer eligible for zakat. However, LZS conducts regular monitoring and evaluation to ensure the effectiveness of zakat distribution.

Officer A (2025) stated: "One of our assistance methods involves conducting reviews every six months or annually. Some reviews are done every six months, while others are done annually. Why? For example, some illnesses are not permanent and can be cured. So, to ensure that assistance does not continue indefinitely for someone who no longer needs it, we require each applicant to update their documentation or information. For instance, if someone is ill and needs surgery, we will not aid with their entire life. Once they recover, if they want to apply again, they need to submit new documents, such as a letter confirming their recovery. Even for chronic conditions like kidney failure (dialysis), we still require updates. Why? Because updates are not just about illness; sometimes the person receiving dialysis treatment at one center may move to another location. The center might be far away, or there could be other problems. So, they might want to switch to different dialysis centers. Therefore, when there are information changes, we require updates."

Applicants must update their information and documentation every six months or annually, depending on the assistance received. LZS also conducts field investigations to Verify the information provided by applicants. Through this monitoring and evaluation process, LZS ensures that assistance is given to those who are truly eligible and that the distribution is directed to the right places.

V. Challenges in Zakat Distribution to Asnaf Gharimin

LZS faces several challenges in ensuring the distribution of zakat to asnaf gharimin including:

1. Attitude and transparency of applicants

Some applicants do not provide accurate information or are reluctant to submit the required evidence, which can

cause difficulties in the verification process.

Officer B stated: "The attitude of asnaf themselves is a challenge. When we ask for proof, they often evade providing it. This is a significant operational challenge. However, this does not mean that all applicants behave this way."

The issue has also led to delays in the approval process and necessitates investigations by LZS. Additionally, some applicants are unwilling to seek alternative assistance besides LZS.

Office A remarked: "For asnaf gharimin, we observe that, apart from zakat assistance, there are many other sources of help available to the community. For example, in Selangor, there is a campaign to provide takaful coverage for Muslims to receive medical treatment. We advise those eligible to take advantage of such schemes. This way, LZS can allocate its resources to those not eligible for other assistance. However, some eligible for state government assistance do not apply for it; instead, they apply for zakat, which depletes the resources available at LZS. Other sources of assistance can be utilized. For instance, some individuals have medical initiatives provided by their employers, such as KWSP, SOCSO, or employer benefits. However, they do not use them because they find it easier to apply to LZS. As a result, we have to allocate our (LZS) limited budget to those who apply, even if it is insufficient. Ideally, those with alternative sources should use them so we can help those who are not eligible for other assistance."

The people's attitude of taking easy routes and not exploring other available assistance options despite the limited zakat funds leads to those who are not eligible for other assistance except for zakat receiving help. This situation arises because those with other alternatives still apply for zakat due to the more straightforward application process, thereby limiting the resources available for those who genuinely need zakat assistance.

2. Funding constraints

Although zakat collections reached RM 1.12 billion in 2023, the community's actual needs in Selangor are much greater than that.

Officer A stated: "For your information, what we distribute is not enough based on the actual needs of Muslims in Selangor. While zakat collections amount to RM 1.12 billion, the needs in Selangor exceed this amount. Many more people apply, but due to the limited budget, we distribute what we (LZS) collect."

The reasons for the institution's lack of funds include low zakat awareness campaigns, non-compliance with zakat payments by those who are capable, inefficient management mechanisms and the influence of the current economic situation (Arif Zunaidi 2024; Mohamed Hamza Ghaouri et al. 2023; Muharman Lubis et al. n.d.; Nur Fikhriah Takril & Nor Faizah Othman 2020). Therefore, LZS must ensure that distribution is carried out strategically and selectively to ensure aid reaches those in urgent need. Additionally, LZS needs to encourage the community to utilize other sources of assistance such as medical takaful or government aid. LZS has also conducted various Zakat awareness campaigns for the community, regardless of age, to increase awareness of the importance of Zakat payments. Examples include the year-end campaign "Sama-sama Kongsi," Zakat Aulad Club and the Selangor Carnival (Lembaga Zakat Selangor n.d.-a).

VI. Conclusion

In conclusion, LZS has implemented various systematic and effective strategies in distributing zakat to asnaf gharimin. LZS has established a systematic application mechanism using the e-ZO application and direct payments to service providers to enhance the efficiency and transparency of distribution. Furthermore, mosque and surau committee members are appointed as assistance mails to identify individuals eligible for zakat. However, LZS faces challenges in zakat distribution, including applicants' attitudes in providing accurate information and funding constraints. By addressing these challenges, Zakat institutions can enhance their role in promoting social and economic justice. Therefore, strengthening the monitoring system, expanding awareness campaigns, and increasing collaboration with Islamic financial institutions are necessary to ensure long-term distribution effectiveness. The findings are anticipated to contribute to the discourse on zakat management and provide insights for policymakers to optimize financial aid for indebted individuals while ensuring sustainability in zakat fund allocations.

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