Enhancing Accountability in the Islamic Capital Market: Assessing Zakat Disclosure Practices of *Sharīʿah*-Compliant Public Listed Companies in Malaysia

Arifah Azna Baharin[1], Ruhaini Muda[2♣], Mahyudin Ahmad[3] and Ramesh Nair[1]
[1]Accounting Research Institute, Universiti Teknologi MARA, Selangor, Malaysia
[2]Faculty of Business & Management and Accounting Research Institute, Universiti Teknologi MARA, Selangor, Malaysia
[3]Faculty of Business & Management, Universiti Teknologi MARA, Perlis, Malaysia

ABSTRACT

The dual structure of Malaysia's capital market offers investors both *sharīʿah*-compliant and conventional investment options, creating expectations for Islamic accountability among *sharīʿah*-compliant public listed companies (PLCs). Drawing on the Institutional Theory, this study contended that stakeholders' pressures act as a form of coercion, shaping corporate behaviour in relation to zakat disclosure, a fundamental component of Islamic social responsibility. Using a comprehensive zakat disclosure index (ZDI), this study assessed the extent of zakat disclosure among 160 *sharīʿah*-compliant PLCs for the financial year 2023. The findings revealed that disclosure levels remained critically low, with 83.1% of *sharīʿah*-compliant PLCs disclosing no zakat-related information and the majority scoring below 50%, reflecting weak institutional pressures and limited internal governance mechanisms. Sectoral differences were pronounced, with the financial services sector demonstrating stronger compliance due to higher regulatory expectations, while most other sectors lagged significantly. Overall, the results highlighted a substantial gap between *sharīʿah*-compliant status and substantive Islamic accountability, suggesting the need to institutionalise zakat disclosure as part of transparent, responsible, and socially aligned corporate practice.

Keywords: Zakat Disclosure, Accountability, Transparency, Institutional Theory, *Sharīʿah*-Compliant Public Listed Companies.

ARTICLE INFO

Article History:
Received: 14 September 2025
Accepted: 3 October 2025
Available online: 31 December 2025

♣ Corresponding Author: Ruhaini Muda; Universiti Teknologi MARA, Selangor, Malaysia; Email: ruhaini@uitm.edu.my

INTRODUCTION

Despite the growing number of *sharīʿah*-compliant public-listed companies (PLCs) in Malaysia, the practice of zakat disclosure remains inconsistent and underdeveloped. Prior studies, such as those by Abdullah et al. (2023), and Muhammad and Mohd Hanefah (2020), have consistently highlighted limited commitment to zakat reporting by business entities, revealing persistent gaps in transparency, standardization, and accountability. This problem persists even as these companies operate under a dual governance structure that merges conventional corporate governance with Islamic ethical obligations. The issue is not merely technical or procedural. Rather, it reflects a deeper institutional misalignment between the religious expectations placed upon *sharīʿah*-compliant entities and the mechanisms available to enforce or encourage conformity (Aspiranti, et al., 2023).

The Institutional Theory provides a compelling lens to analyse this issue. It emphasizes how coercive (regulatory), normative (professional and ethical), and mimetic (peer-influenced) pressures shape organisational behaviour (DiMaggio & Powell, 1983; Scott, 2008). However, in the current voluntary disclosure landscape, these institutional pressures are inadequate to ensure consistent zakat reporting across sectors. Unlike Islamic financial institutions, which are subject to direct regulatory oversight by Bank Negara Malaysia (BNM), Malaysia's central bank, most *sharīʿah*-compliant PLCs operate without strong coercive or normative incentives to disclose zakat, hence weakening the legitimacy of their claims to Islamic ethical compliance.

Unlike Islamic financial institutions, which are subject to direct regulatory oversight and guided by comprehensive internal *sharīʿah* governance mechanisms, most *sharīʿah*-compliant PLCs operate in a relatively unregulated environment when it comes to zakat disclosure (Abdullah et al., 2023). This lack of formal enforcement mechanisms weakens the impact of institutional pressures, particularly coercive and normative forces, which are essential for shaping organisational conformity to religious and ethical expectations. As a result, zakat reporting remains largely voluntary, fragmented, and inconsistent across sectors, undermining both stakeholder trust and the legitimacy of Islamic corporate identity.

Given this institutional context, there is a clear need for a sector-specific disclosure framework tailored to the dual governance model of *sharīʿah*-compliant PLCs. Such a framework should reflect the complex interplay between religious obligations, societal expectations, and market legitimacy. By operationalising the constructs of the Institutional Theory within the Islamic governance paradigm, this framework could serve as a mechanism to evaluate and promote compliance with Islamic accountability principles. Furthermore, it could align corporate disclosure practices with *maqāṣid al-sharīʿah*, the objectives of Islamic law that prioritize the protection of religion, life, intellect, lineage, and wealth (Mahmod, et al. 2024). In doing so, it would contribute not only to enhanced transparency and accountability but also to the broader ethical vision of Islamic economic justice.

The aim of this study was therefore, to address this practical gap for a sector-specific disclosure framework by proposing a zakat disclosure index, henceforth referred to as the Zakat Disclosure Index (ZDI), that provides a structured and contextually grounded framework for evaluating zakat reporting practices among *sharīʿah*-compliant PLCs. By integrating the principles of the Institutional Theory with the Islamic governance context, the ZDI sought to promote greater consistency, transparency, and accountability in line with both regulatory expectations and the ethical imperatives of Islamic finance.

LITERATURE REVIEW

Zakat Disclosure and Regulatory in Malaysia

Malaysia practices a dual financial system, making it a unique platform for investors to choose whether to invest in a *sharīʿah* approved company or otherwise. The Securities Commission (SC) of Malaysia has set up the *Sharīʿah* Advisory Council (SAC) to execute a comprehensive assessment and screening process for the stocks to comply with before they can be recognised as *sharīʿah*-compliant stocks. The number of *sharīʿah*-compliant PLCs in Malaysia has grown significantly, increasing by over 33% from 604 in 2000 to 808 in the year 2023. This trend reflects increased investors' confidence and the rising appeal of ethical as well as sustainability-orientated investments (Securities Commission, 2023).

Zakat is one of the five pillars of Islam, and plays a significant role in wealth distribution, and subsequently, it is a tool that can be used to reduce poverty. Thus, it is an obligation for individual Muslims not to view zakat only as a charity (Al-Qaradawi, 1999; Hoque, 2023). In Malaysia, the Fatwa Committee of the National Council of Islamic Religious Affairs issued a ruling in 1992, making zakat payment mandatory for Muslim-owned businesses (Ahmad, 2022). Hence, this has a huge impact, transforming zakat from purely an individual obligation into a responsibility to be carried out by a corporation, particularly the *sharīʿah*-compliant PLCs (Hasan, 2020). With that, zakat has the objective not only to balance socio-economic growth, but it also purifies one's soul and wealth.

In Malaysia, the regulatory framework for zakat disclosure involves a few bodies, such as the Malaysian Accounting Standards Board (MASB), Bank Negara Malaysia (BNM), and international bodies like the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) (Abdullah et al., 2023). For instance, MASB has issued Technical Release i-1 (MASB TR i-1), 'Accounting for Zakat on Business', in 2006, with the purpose of providing guidance on the accounting treatment for zakat on business. MASB TR i-1 outlines the recognition, measurement, presentation, and disclosure of zakat in financial statements (Abdullah et al., 2023). Methods to determine the zakat base are specified under MASB TR i-1, namely, the adjusted working capital method and the adjusted growth method. The adjusted working capital method is based on adjusted net current assets and detailed out with the formula of '*Net Current Assets is Current Assets with Complete Ownership minus Current Operating Liabilities*'. Whereas, adjusted growth method is defined by '*Total Equities is Owner's Equity plus Long-term Financing plus Current Year Profit minus Fixed Assets (other than non-current assets)*' (Abdullah et al., 2023). These two methods are proposed by Jabatan Kemajuan Islam Malaysia (JAKIM) with some necessary adjustments done to comply with the *sharīʿah* requirements (Kadir et al., 2018). In addition, MASB TR i-1 also stated the disclosure of the method used for zakat calculation, the entity's responsibility towards zakat payment, and other major components such as current zakat expense, zakat payment, zakat liability, and any adjustments recognised in the period for zakat of prior periods.

While MASB TR i-1 provides the technical guidelines for zakat disclosure, its voluntary nature and lack of regulatory enforcement contribute to the inconsistent disclosure practices, particularly among *sharīʿah*-compliant PLCs (Abdullah et al., 2023). Therefore, enhancing zakat disclosure requires both adherence to the existing guidelines and a strong commitment to transparency and accountability, which aligns with the broader objectives of Islamic finance.

Theoretical Consideration

The Institutional Theory provides a convincing lens to explore organisational behaviour, particularly in the context of religious, social, and regulatory impacts. The Theory posits that the operation of organisations is shaped in an environment of institutional pressures, including coercive, normative, and mimetic, which can lead the organisations to conform to the accepted norms, values, and practices in order to gain legitimacy, survival, and support of the stakeholders (DiMaggio & Powell, 1983; Scott, 2008). The application of the Institutional Theory in the context of *sharīʿah*-compliant PLCs in Malaysia is significant due to the unique interaction between religious obligations, economic benefits and regulatory frameworks. Since these companies are governed by a dual governance structure, they have to integrate conventional corporate governance practices and Islamic principles, particularly the obligation to disclose zakat, a fundamental element of Islamic economic justice.

The proposed ZDI operationalises the Institutional Theory by providing a structured framework in Islamic accountability. It acts as an enabler to measure compliance for both religious and societal expectations. Thus, it aligns corporate practices with the key objectives of Islamic law, including protection of religion, life, intellect, lineage, and wealth for achieving justice and welfare in the society (Dusuki & Bouheraoua, 2011). The Institutional Theory explains why *sharīʿah*-compliant PLCs in Malaysia exhibit different practices in disclosing zakat. The effectiveness of coercive, normative, and mimetic pressures is limited by the voluntary nature of the current disclosure environment. In this study, the application of the Institutional theory within the Islamic governance framework highlights the need for stronger institutional mechanisms, and ZDI is proposed as a practical tool to measure institutional conformity and enhance transparency in zakat reporting (Mahmod et al., 2024). The proposed ZDI in this study sought to fill the gap by recommending a multidimensional and practical benchmark in evaluating and promoting zakat disclosure among *sharīʿah*-compliant PLCs across all sectors in Malaysia.

METHODOLOGY

Indicators and Dimensions

The indicators used to construct the ZDI were derived from MASB TR i-1 and validated through prior studies by Abdullah et al. (2023) and Mahmod et al. (2024). Eight disclosure items were included in the index: method used to determine the zakat base, the company's responsibility towards payment of business zakat, current zakat expense, zakat payment, zakat liability, zakat computation, statement of uses of zakat, and beneficiaries or *asnaf*.

Although most indicators aligned directly with MASB TR i-1, there were two items, namely, the statement of uses of zakat and disclosure of beneficiaries or *asnaf*, extend beyond the standard's minimum requirements. Their inclusion strengthened the index by capturing broader dimensions of transparency, governance, and accountability that are increasingly expected by stakeholders and State Islamic Religious Councils. In line with prior literature and MASB TR i-1, the disclosure items were grouped into two dimensions: (1) financial zakat disclosure, which captures quantitative information presented in financial statements or notes, and (2) non-financial zakat disclosure, which reflects qualitative information related to zakat governance, corporate responsibility, and accountability mechanisms. Each dimension has several indicators, as shown in Table 1.

Table 1: Financial and Non-Financial Zakat Disclosure Dimensions and Indicators

Dimension	Indicator
Financial Zakat Disclosure	Zakat base method Current zakat expense Zakat payment Zakat liability Zakat rate Statement of uses of zakat
Non-Financial Zakat Disclosure	Responsibility towards payment of zakat Beneficiaries or *asnaf* of zakat

Source: Mahmod et al., 2024

Zakat Disclosure Indicator Items

The selection of zakat disclosure indicators was guided primarily by MASB TR i-1 on Accounting for Zakat on Business and further supported by empirical evidence from Abdullah et al. (2023) and Mahmod et al. (2024). Each item reflected a fundamental component of zakat disclosure associated with accountability and transparency, enabling assessment of how sharīʿah-compliant PLCs report their zakat obligations. The eight indicators collectively offered comprehensive zakat process starting from base determination, recognition to distribution and its impact. In addition to financial elements, the indicators captured non-financial ethical and societal dimensions of zakat, ensuring a more holistic representation of disclosure practices. Table 2 presents the list of indicators and their descriptions:

Table 2: Zakat Disclosure Indicators

Zakat Disclosure Indicators	Description
Zakat base determination method	Method used to determine the zakat base, either by using adjusted working capital or adjusted growth method (MASB TR i-1, Para 16(a)).
Current zakat expense	Amount recognized and stated in the income statement for a specific financial year, reflecting compliance with sharīʿah law (MASB TR i-1, Para 17(a)).
Zakat payment	Actual amount of zakat paid for the financial year, demonstrating practical fulfilment of obligations (MASB TR i-1, Para 17(b)).
Zakat liability	Outstanding zakat amount in the statement of financial position, indicating liquidity and financial responsibility (MASB TR i-1, Para 17(c)).
Zakat rate	Percentage applied to the zakat base, commonly 2.5%, confirming adherence to sharīʿah law and avoiding uncertainty (MASB TR i-1, Para 7).

Zakat Disclosure Indicators	Description
Statement of uses of zakat	Disclosure of how zakat is utilized across activities, sectors, and geographical areas, supporting transparency and social justice (**Kamaruddin & Hanefah, 2021; Sawmar & Mohammed, 2021; Abdullah et al., 2023**).
Responsibility towards the payment of zakat	Company's statement on its responsibility for zakat payment, reflecting commitment to Islamic accountability (MASB TR i-1, Para 16(b)).
Beneficiaries or *asnaf* of zakat	Disclosure of beneficiaries or *asnaf* (eligible recipients), affirming ethical zakat distribution (**Kamaruddin & Hanefah, 2021; Sawmar & Mohammed, 2021; Abdullah et al., 2023**).

Source: Authors' compilation

Multidimensional Zakat Disclosure Index Development

The ZDI was developed as a structured framework designed to systematically assess the extent of zakat-related disclosures among *sharīʿah*-compliant PLCs. It facilitated comparative assessment of corporate disclosure practices and enhances transparency for stakeholders making informed evaluations. Given the absence of a mandatory accounting standard governing zakat reporting for *sharīʿah*-compliant PLCs, voluntary disclosure remained the dominants practice in Malaysia (Abdullah et al., 2023). The MASB TR i-1 provided important technical guidance on recognitions, measurement, and disclosure, but it did not carry enforcement (Mahmod et al., 2024).

A systematic process was followed to construct a multidimensional ZDI. First, relevant disclosure items were identified through an extensive review of MASB TR i-1 and prior literature. Second, the items were categorised into financial and non-financial disclosure dimensions to capture both quantitative and qualitative aspect of zakat reporting. Third, all items were scored using dichotomous unweighted method by assigning "1" for disclosed items and "0" for non-disclosed items, consistent with Cooke (1989) and (Al-Shiab, 2003). This method ensured objectivity and comparability across companies, particularly in large-scale cross-sectional analysis (Tsalavoutas et al., 2010; Abdullah and Minhat, 2013). Finally, the ZDI score for each company was computed as the proportion of disclosed items relative to the total applicable indicators (Table 3).

Table 3: Zakat Disclosure Index Items

Disclosure Item	Explanation	Source of Reference	Scoring Method
Zakat base determination method	Method used to calculate amount eligible for zakat (adjusted working capital method or adjusted growth method)	MASB TR i-1, Para 16(a)	‘1’ = disclosed; ‘0’ = not disclosed
Responsibility towards payment of zakat	Company’s disclosure statement on zakat payment	MASB TR i-1, Para 16(b)	‘1’ = disclosed; ‘0’ = not disclosed
Current zakat expense	Zakat amount recognized in income statements	MASB TR i-1, Para 17(a)	‘1’ = disclosed; ‘0’ = not disclosed
Zakat payment	Zakat paid amount, separate from taxation	MASB TR i-1, Para 17(b)	‘1’ = disclosed; ‘0’ = not disclosed
Zakat liability	Zakat liabilities presented in the statement of financial position	MASB TR i-1, Para 17(c)	‘1’ = disclosed; ‘0’ = not disclosed
Zakat rate	Percentage applied to zakat base for zakat calculation	MASB TR i-1, Para 7	‘1’ = disclosed; ‘0’ = not disclosed
Statement of uses of zakat	Detailed utilization of zakat funds (activities, sectors & geographical areas)	Kamaruddin & Hanefah (2021); Sawmar & Mohammed (2021) and Abdullah et al., (2023)	‘1’ = disclosed; ‘0’ = not disclosed
Beneficiaries (*Asnaf*)	Identification or description of zakat recipients	Kamaruddin & Hanefah (2021); Sawmar & Mohammed (2021) and Abdullah et al., (2023)	‘1’ = disclosed; ‘0’ = not disclosed

Source: Authors’ compilation

Development of ZDI Scoring

The binary scoring approach fit well within the context of zakat disclosure, as MASB TR i-1 largely specified rule-based requirement whereby items were either disclosed or not disclosed. Accordingly, the compliance level with MASB TR i-1 can be effectively captured using the dichotomous method. This approach was also aligned with previous Islamic disclosure studies focusing on ethics, accountability, and transparency (Mahmod et al., 2024; Abojeib et al., 2025). The eight disclosure items used in this study were validated in earlier empirical work and reflected core principles of transparency, accountability, and ethics, such as Haniffa & Cooke (2005), Hossain & Hammami (2009), and Al-Homaidi et al., (2021). Although dichotomous scoring ensured coding consistency, its limitations were acknowledged, in which the method captured only the presence of disclosure, not its dept or quality, and therefore results should be interpreted accordingly.

The ZDI formula was:

$$\text{Zakat Disclosure Index (ZDI)} = \frac{\sum_{m}^{n} d_i}{n}$$

where, *m* was the number of disclosure items satisfied, was 1 if disclosed and 0 if not disclosed, and *n* was the total number of disclosure items.

Disclosure items were further classified into mandatory and voluntary components based on MASB TR i-1. Mandatory items derived directly from MASB TR i-1, ensuring consistency in recognition and reporting of zakat related financial information. Voluntary items included the statement of uses of zakat and beneficiaries or *asnaf* were not explicitly required but were widely recognized for enhancing transparency and demonstrating social responsibility (Kamaruddin & Hanefah, 2021; Sawmar & Mohammed, 2021). Their inclusion strengthened the ZDI by addressing stakeholder expectations beyond compliance and reinforcing corporate legitimacy.

Data

This study examined zakat disclosure practices of 160 *sharīʿah*-compliant PLCs listed on the Main Market of Bursa Malaysia for financial year 2023. The sample spanned 12 sectors, including industrial products and services, consumer products and services, technology, property, construction, plantation, transportation and logistics, energy, healthcare, telecommunications and media, utilities, and financial services. Sample selection was based on *sharīʿah*-compliant securities list issued by the *Sharīʿah* Advisory Council (SAC) of the Securities Commission's Advisory Council (Securities Commission, 2023). Focusing on the Main Market ensured coverage of more established companies that typically provide comprehensive disclosures, consistent with prior findings on corporate size and Islamic reporting practices (Muhammad, 2020; Abdullah et al., 2023; Abdul Rahim et al., 2024).

A stratified proportionate sampling approach was applied to ensure that each sector was represented proportionately to its population size (Sekaran & Bougie, 2016). The method enhanced the generalizability of findings and captured variations in disclosure practices across sectors. Each sector was represented with a range of 20% to 28% of the total number of companies, with most sectors clustered around 25%. Relatively, an even distribution of companies from each sector ensured that no sector dominated the sample. Therefore, a balanced analysis of zakat disclosure practices across sectors was achieved. The data was collected from the annual reports of the selected companies through Bursa Malaysia's official website and the individual company's website. The usage of annual reports was used due to their audited and publicly available documents that reflect the official disclosure made by the companies (Muhammad, 2020; Abdullah et al., 2023). Table 4 below shows the sample distribution for all of the sectors.

Table 4: Distribution of Sample *Sharīʿah*-Compliant PLCs by Sector

Sector	Sample	Population	Percentage (%)
Industrial Products & Services	46	186	24.73
Consumer Products & Services	35	139	25.18
Technology	12	47	25.53
Property	22	85	25.88
Construction	12	47	25.53
Plantation	9	34	26.47
Transportation & Logistics	7	26	26.92
Energy	6	25	24.00
Healthcare	4	17	23.53
Telecommunications & Media	4	14	28.57
Utilities	2	10	20.00
Financial Services	1	5	20.00
Total	160	635	25.20

Source: Authors' compilation

Based on Table 5, the Industrial Products & Services sector had the highest representation, comprising 46 *sharīʿah*-compliant PLCs (24.73%), followed by Consumer Products & Services sector with 35 *sharīʿah*-

compliant PLCs (25.18%) and Property sector having 22 *sharīʿah*-compliant PLCs (25.88%). Sectors such as Technology, Construction and Plantation contribute between 9 to 12 *sharīʿah*-compliant PLCs, representing proportions ranging from 25.53% to 26.47%. Meanwhile, Healthcare, Telecommunications & Media, and Utilities sectors were represented by a smaller sample, 2 to 4 *sharīʿah*-compliant PLCs, which contribute to 23.53%, 28.57% and 20%, respectively. Lastly, the Financial Services sector includes only 1 *sharīʿah*-compliant PLC with 20% of its population.

The overall sample reflected a broad cross-section of Malaysia's Main Market. The relatively balanced sectoral proportions, particularly across dominants sectors such as Industrial Products & Services, Consumer Products & Services, and Property, enhance the representativeness of the findings. At the same time, the inclusion of smaller sectors ensured diversity within the dataset and allowed meaningful comparison of zakat disclosure practices across different industry groups.

RESULTS AND DISCUSSION

This study evaluated the extent of zakat disclosure among the *sharīʿah*-compliant PLCs in Malaysia using a ZDI comprising eight financial and non-financial items. Each *sharīʿah*-compliant PLC was scored using a dichotomous approach, and results for 160 PLCs across twelve sectors are presented in Table 5.

Table 5: Summary of Zakat Disclosure Index (ZDI) Scoring

Sector	Total *Sharīʿah*-Compliant PLCs	Number of *Sharīʿah*-Compliant PLCs with Score > 0	Highest ZDI Score in percentage & (number of *Sharīʿah*-Compliant PLCs)
Industrial Products & Services	46	5	37.5% (2)
Consumer Products & Services	35	1	12.5% (1)
Technology	12	2	50.0% (1)
Property	22	6	25.0% (1)
Construction	12	1	12.5% (1)
Plantation	9	1	50.0% (1)
Transportation & Logistics	7	2	37.5% (1)

Sector	Total *Sharīʿah*-Compliant PLCs	Number of *Sharīʿah*-Compliant PLCs with Score > 0	Highest ZDI Score in percentage & (number of *Sharīʿah*-Compliant PLCs)
Energy	6	2	12.5% (2)
Healthcare	4	2	25.0% (1)
Telecommunications & Media	4	2	37.5% (1)
Utilities	2	2	37.5% (1)
Financial Services	1	1	87.5% (1)
Total	160	27	

Source: Authors' own work

The results indicated that zakat disclosure remained critically low across the Main Market. Only 27 *sharīʿah*-compliant PLCs (16.9%) disclosed any zakat-related information, while 133 *sharīʿah*-compliant PLCs (83.1%) disclosed absolutely none. This pattern, consistent with earlier studies (Muhammad, 2020; Abdullah et al., 2023; Mahmod et al., 2024), suggested several underlying reasons. Many companies may not consider themselves zakat-liable due to business activities or financial position, companies may lack internal reporting system for zakat, and there may be limited organisational awareness of zakat as corporate accountability duty. Just as importantly, the absence of regulatory compulsion meant that even companies with potential zakat obligations may perceive disclosure as non-essential and non-value-adding.

Sectorial Variations

Sectorial analysis revealed significant disparities in zakat disclosure practices. The Industrial Products & Services and Consumer Products & Services sectors, despite being the largest segments, recorded very low disclosure levels, with only five and one companies disclosing zakat, respectively. This result suggested that size or economic significance did not translate into stronger Islamic accountability practices. The findings point to weak normative and mimetic pressures within these sectors, where disclosure was neither expected by industry peers nor embedded within sector norms.

By contrast, the Financial Services sector showed the highest level of compliance, with its sole *sharīʿah*-compliant PLC scoring 87.5%. This aligned with past evidence that financial institutions, particularly Islamic banks, face stronger coercive and normative pressures due to heighted regulatory scrutiny and established *sharīʿah* governance frameworks (Tuan Ibrahim et al., 2020; Ali et al., 2023). Similarly, moderate scores in the Technology and Plantations sectors (50%) suggested an emergent organisational awareness or voluntary governance initiatives, even in the absence of regulatory enforcement.

In several smaller sectors such as Healthcare, Telecommunications & Media, Utilities, and Transportations, only two companies disclosed zakat information, but their maximum ZDI reached a range between 25% to 37.5%. These isolated positive cases indicated that organisational commitment, rather than sector-wide institutional pressure, drove disclosure behaviour. This finding reinforced the notion that optional zakat reporting was highly dependent on individual company governance cultures.

Nature of Disclosures

Among the 27 *sharīʿah*-compliant PLCs that disclosed information, reporting was largely limited to zakat expense, zakat payment, and responsibility for zakat. Critical items, such as the zakat base determination method, zakat rate, statement of uses of zakat, and beneficiaries or *asnaf*, were rarely disclosed. This suggested that disclosures tended to be compliance-oriented rather than accountability-oriented, focusing on the act of paying zakat rather than demonstrating how zakat fulfilled its socio-economic purpose.

This incomplete reporting revealed a persistent gap between *sharīʿah*-compliance in form and Islamic accountability in substance. Despite carrying the *sharīʿah*-compliant label, many *sharīʿah*-compliant PLCs did not treat zakat as a core component of Islamic corporate governance. This finding was consistent with the earlier work showing that Islamic social disclosures often remained voluntary or symbolic (Sawmar & Mohammed, 2021, Abdullah et al., 2023; Mahmod et al., 2024).

From the perspective of the Institutional Theory, these findings reflected weak coercive, normative, and mimetic pressures surrounding zakat disclosure. In the Malaysian context, the absence of strong coercive forces, such as mandatory regulatory requirements for zakat disclosure, had allowed zakat reporting to remain voluntary and marginal. While MASB TR i-1 offered guidance, its non-compulsory nature reduced its influence on corporate behaviour, and this was consistent with the past studies conducted by Abdullah et al. (2023) and Mahmod et al. (2024).

Furthermore, normative pressures, which stemmed from professional standards, industry norms, and religious institutions, also appeared weak. The lack of proactive guidance from accounting standard setters and *sharīʿah* advisory bodies on the need for transparent zakat disclosure contributed to the unwillingness to perform the disclosure practices. Similarly, mimetic pressures, which occurred when companies imitated peer behaviour, were insufficient due to the overall lack of best practices among industry leaders regarding zakat disclosure. As a result, there was limited incentive for companies to adopt zakat reporting practices. In sectors such as Consumer Products & Services, Construction, and Plantations where disclosure was nearly absent, these weak institutional pressures were especially evident. Conversely, the higher scores in Financial Services sector illustrated how strong coercive and normative expectations can meaningfully shape corporate behaviour.

Overall, the results indicated that organisational behaviour was driven less by *sharīʿah* label itself and more by the varying strength of institutional pressures operating within each sector. These findings reinforced prior literature showing that Islamic social reporting remained underdeveloped, with zakat disclosure often treated as voluntary and immaterial (Sawmar & Mohammed, 2021; Abdullah et al., 2023; Mahmod et al., 2024). To address this gap, there is a pressing need for comprehensive zakat disclosure guidelines, strengthened *sharīʿah* governance frameworks, and integration of zakat reporting within broader corporate responsibility and sustainability agenda (Wahab and Borhan, 2015; Ali et al., 2023; Sawmar &Mohammed, 2021; Abdullah et al., 2023). Strengthening both institutional support is critical to ensure that corporate zakat practices align with the true spirit of *sharīʿah*. These measures are increasingly important to meet the expectations of ethically conscious stakeholders and to reinforce zakat as a key instrument of Islamic economic justice and wealth distribution.

CONCLUSION

This study examined zakat disclosures practices among 160 *sharīʿah*-compliant PLCs in Malaysia. The findings revealed that disclosure remained limited in both extent and depth. While a small number of *sharīʿah*-compliant PLCs disclosed some zakat information, the majority provided none, indicating a substantial gap between *sharīʿah*-compliant status and meaningful Islamic accountability. Weak institutional pressures, limited governance expectations, and the voluntary nature of MASB TR i-1 appear to contribute to the low disclosure levels.

This study suggests that regulatory authorities must take action to address the lack of comprehensive zakat disclosure. The current regulatory landscape should be strengthened to provide more robust regulatory oversight (Abdullah et al., 2023; Mahmod et al., 2024). One important step is to elevate MASB Technical Release i-1 from a non-mandatory guideline to a compulsory standard applicable to all *sharīʿah*-compliant PLCs in Malaysia. Such regulatory upliftment would send a strong signal that zakat disclosure is a critical corporate obligation, on par with other financial reporting requirements. Close collaboration between regulatory bodies such as the Securities Commission Malaysia (SC), MASB, Bursa Malaysia, and religious authorities is essential to ensure coordination and alignment with the *sharīʿah* principles. Addressing this gap is essential to ensure zakat fulfils its intended role in promoting socio-economic justice, stakeholder trust, and broader *maqāṣid al-sharīʿah*.

This study is subject to several limitations. First, the analysis relied solely on annual reports, which may not have captured zakat information disclosed through other channels such as sustainability reports, CSR statements, or corporate websites. Second, the study examined only one financial year, 2023, zakat disclosure practices may vary across time or respond to emerging regulatory changes. Third, the ZDI used in this study measured the extent rather than the quality of disclosure, and therefore did not evaluate how detailed, accurate, or meaningful of the provided information. These limitations should be considered when interpreting the findings and designing future research.

ACKNOWLEDGEMENTS

The author(s) received financial support for the research, authorship, and/or publication of this article: This work was supported by the Accounting Research Institute (HICoE), Universiti Teknologi MARA [Grant Number: UiTM.800-3/1 DDJ.82 (025/2025)].

REFERENCES

Abdul Rahim, M., Shaharuddin, N. A. S., & Mohd Suki, N. (2024). Sharīʿah governance disclosure and its effect on Islamic banks' financial performance: Evidence from Malaysia and GCC countries. *Journal of Islamic Accounting and Business Research, 15*(4), 619–642.

Abdullah, M., & Minhat, M. (2013). Measuring compliance with IFRS mandatory disclosure requirements: Some evidence from Malaysia. *Australian Journal of Basic and Applied Sciences, 7*(8), 163–169.

Abdullah, M., Sapiei, N. S., & Rohim, S. N. (2023). Disclosure of corporate zakat among Muslim-owned companies in Malaysia. *Al-Qanatir: International Journal of Islamic Studies, 30*(2), 312–320.

Abojeib, M., Mahaini, M. G., & Alchaar, M. O. (2025). An analysis of zakat disclosure in Islamic banks. *Journal of Islamic Accounting and Business Research, 16*(4), 811–837.

Ahmad, W. M. W. (2022). Fatwas on zakat in Malaysia: Trends and issues. *Journal of Ifta and Islamic Heritage, 1*(1), 66–87.

Al-Homaidi, E. A., Al-Matari, E. M., Anagreh, S., Tabash, M. I., & Senan, N. A. M. (2021). The relationship between zakat disclosures and Islamic banking performance: Evidence from Yemen. *Journal of Legal, Ethical and Regulatory Issues, 24*(1), 1–12.

Ali, M. A., Shuib, M. S., & Nor, A. M. (2023). Zakat as a corporate social responsibility: How does it affect the financial performance of Islamic banks? *Jordan Journal of Business Administration, 19*(2).

Al-Qaradawi, Y. (1999). *A comparative study of zakah, regulations and philosophy in the light of Qur'an and Sunnah* (M. Kahf, Trans.). Scientific Publishing Centre.

Al-Shiab, M. (2003). *Financial consequences of IAS adoption: The case of Jordan* (Unpublished doctoral dissertation). Newcastle University Business School.

Aspiranti, T., Ali, Q., Sudrajad, O. Y., & Rusgianto, S. (2023). Sharīʿah governance reporting of Islamic banks: An insight from Malaysia. *Cogent Business & Management, 10*(2).

Cooke, T. E. (1989). Voluntary corporate disclosure by Swedish companies. *Journal of International Financial Management & Accounting, 1*(2), 171–195.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*(2), 147–160.

Dusuki, A. W., & Bouheraoua, S. (2011). The framework of Maqasid al-Shari'ah and its implication for Islamic finance. *Islamic Finance: Principles and Practices, 2*(2), 316–336.

Haniffa, R. M., & Cooke, T. E. (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy, 24*(5), 391–430.

Hasan, Z. (2020). The mechanism of managing zakat funds in Islamic banking as implementation of corporate social responsibility (CSR). In *Indonesian Conference of Zakat – Proceedings*.

Hoque, N. (2023). Promoting business zakah as a product of Islamic finance to fund social causes for well-being of the underprivileged: Evidence from Bangladesh. *Journal of Islamic Marketing, 14*(4), 966–987.

Hossain, M., & Hammami, H. (2009). Voluntary disclosure in the annual reports of an emerging country: The case of Qatar. *Advances in Accounting, 25*(2), 255–265.

Kadir, M. R. A., Adwam, S. M. G. W. S., Ibrahim, A., & Abdullah, A. A. (2018). *Accounting for business: A guide for zakat assessment and accounting disclosure in financial reporting*. Penerbit Universiti Sultan Zainal Abidin.

Kamaruddin, M. I. H., & Hanefah, M. M. (2021). Bridging zakat impacts toward Maqasid Sharīʿah and Sustainable Development Goals (SDGs): Influence of corporatization and experiences on COVID-19. In *Islamic wealth and the SDGs: Global strategies for socio-economic impact* (pp. 393–420). Emerald Publishing Limited.

Mahmod, S., Ibrahim, N., & Hamid, S. A. (2024). Zakat disclosure index by Islamic banks and development financial institutions in Malaysia. *International Journal of Banking and Finance, 19*(2), 241–270.

Malaysian Accounting Standards Board. (2023). *Malaysian approved accounting standards*. https://www.masb.org.my

Muhammad, F. B. (2020). Zakat disclosure by Malaysian Sharīʿah-compliant companies. *Journal of Zakat Kedah, 2*(1).

Sawmar, A. A., & Mohammed, M. O. (2021). Enhancing zakat compliance through good governance: A conceptual framework. *ISRA International Journal of Islamic Finance, 13*(1), 136–154.

Scott, W. R. (2008). Approaching adulthood: The maturing of institutional theory. *Theory and Society, 37*(5), 427–442.

Securities Commission Malaysia. (2023). *List of Sharīʿah-compliant securities by the Sharīʿah Advisory Council of the Securities Commission Malaysia*. https://www.sc.com.my

Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill-building approach* (7th ed.). John Wiley & Sons.

Tuan Ibrahim, T. A. F., Hashim, H. A., & Mohamad Ariff, A. (2020). Ethical values and bank performance: Evidence from financial institutions in Malaysia. *Journal of Islamic Accounting and Business Research, 11*(1), 233–256.

Tsalavoutas, I., Evans, L., & Smith, M. (2010). Comparison of two methods for measuring compliance with IFRS mandatory disclosure requirements. *Journal of Applied Accounting Research, 11*(3), 213–228.

Wahab, A. A., & Borhan, J. T. (2015). Kepatuhan zakat oleh syarikat tersenarai awam di Malaysia. *The Journal of Muamalat and Islamic Finance Research, 204*(3695), 1–16.