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(AIJBES)**www.gaexcellence.com/aijbess**A CONCEPTUAL FRAMEWORK FOR FINANCIAL
REPORTING OF WAKALAH ZAKAT IN MALAYSIA**

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Abstract:

Purpose: This paper plan to develop an implementation-oriented framework for financial reporting of wakalah zakat in Malaysia. Although the Islamic Accounting Standards for Baitulmal, Zakat and Wakaf (PIBZW) provide the primary local reporting basis, delegated distribution creates a timing and accountability problem because transfer to an agent can precede verified distribution to eligible asnaf. **Methodology:** Using an integrative literature review and theory-development approach, the paper synthesises PIBZW with AAOIFI and IPSAS as comparative references and links the wakalah transaction cycle to Islamic accountability, agency, stakeholder and legitimacy theories. **Findings:** The framework organises reporting around six mechanisms: principal-agent classification; completion-based recognition; measurement and reconciliation; fund segregation and presentation; wakalah-specific disclosure; and governance supported by Shariah assurance and digital traceability. These mechanisms are expected to strengthen information quality and make unresolved balances and responsibilities more visible. **Originality/value:** The paper introduces stewardship-fulfilment visibility, defined as the ability to trace a wakalah amount from approval and transfer through verified distribution, deferral, return or exception using reconcilable evidence. The construct provides a testable bridge between transaction-level

reporting design and accountability outcomes and offers a basis for disclosure indices, implementation guidance and empirical validation.

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Accountability; Financial Reporting; Islamic Accounting Standards; Wakalah Zakat; Zakat Institutions



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Introduction

Zakat is beyond a religious obligation to the extent that its administration includes the social distribution and institutional accountability of this contribution. State Islamic Religious Councils, zakat institutions, contributors, appointed agents, beneficiaries, auditors and regulatory bodies are all interested to know whether funds collected for zakat have eventually reached purposes and recipients permitted under Shariah requirements. Hence, financial reporting for zakat should be more than just a record of collection and disbursement. It should enable users to trace the accountability trail of the funds, including who was responsible for them, whether the distribution obligation was fulfilled, which balances are outstanding, and how reported distributions are consistent with eligible asnaf categories (Baehaqi et al., 2025; Sulaiman et al., 2016).

This adds yet another layer of complexity to financial reporting in this context. With a wakalah arrangement, the zakat payer, as the principal, authorises another party to perform a specific task on behalf of the payer. This authority may include distributing approved amount to eligible beneficiaries in zakat administration within agreed mandate. But from an accounting perspective, the transfer of funds to an agent is not equivalent to the settlement of the underlying distribution obligation. There may be cash on hand for distribution, part of the amount may not have been used, a balance may be returned to the institution at a later date or evidence to support the distribution may only be available after the reporting date. Therefore, in the financial reporting, a clear distinction has to be made between the amounts transferred for distribution and the amounts for which the distribution to eligible beneficiaries or approved programs has been sufficiently verified.

The launch of PPIBZW provides a more robust normative basis to rectifying these reporting issues in Malaysia especially as its phased roll-out begins from 1 January 2025 (Accountant

General's Department of Malaysia [JANM], 2024). It prescribes the presentation of financial statements, assets, revenue, expenses, liabilities and disclosure, and also notes issues specific to wakalah such as deferred balances and recognition on completion of distribution. But the presence of a formal reporting system is not a panacea for all practical problems. Zakat institutions still require a linked process for determination of classification, cut-off, reconciliation, evidential sufficiency, disclosure and internal control when the duty of distribution is given to another party.

Past research has made valuable contributions to the understanding of zakat reporting and governance, but they only deal with this operational issue in part. Malaysian research discovered differences in reporting accessibility, disclosure practices, governance structures and institutional performance. There is also a wider literature that suggests improved governance and stronger stakeholder management are highly associated with public trust and organisational performance (Abidin et al., 2014; Abdul Ghani et al., 2017; Htay & Salman, 2014; Shafie et al., 2016; Ab Aziz & Mohd Anim, 2020; Bin-Nashwan et al., 2021; Wahyuni-TD et al., 2021). However, a lot of this work analyses the zakat institution as the main unit of analysis. Much less attention has been paid to the accounting treatment of a specific wakalah amount as it passes through the stages of authorisation, transfer, recognition, segregation, reconciliation and final verification.

The study fills the gap at the transaction level by establishing a conceptual framework of reporting wakalah zakat in Malaysia. It is informed by three questions. First, what accounting and disclosure judgements emerge across the wakalah cycle? Second, how can the relevant PPIBZW requirements be read alongside relevant principles from AAOIFI and IPSAS? Third, which reporting mechanisms can enhance accountability, stakeholder confidence and the management of zakat distribution? The study does not propose a new accounting standard. Instead, it provides an implementation architecture, linking the economic and contractual substance of wakalah arrangements to recognition events, supporting evidence, control procedures and reporting quality. Stewardship-fulfilment visibility is the degree to which users can track a wakalah amount through approval and transfer to verified distribution and identify any balance that is still deferred, has been returned or is still outstanding at the reporting date.

Literature Review

This literature review brings together four strands of scholarship that are typically considered in isolation, namely wakalah arrangements, reporting and accountability in zakat institutions, the relevant standards environment, and the theoretical lenses that facilitate an understanding of the significance of reporting design. These strands need to be woven together, because a wakalah transaction cannot be understood solely from a contractual or accounting perspective. It also has governance responsibilities and Shariah-sensitive implications that affect the reporting and evaluation of such transactions.

Wakalah Zakat and the Institutional Reporting Problem

Wakalah is a form of agency relationship in which the principal appoints another party to undertake a particular task on behalf of the principal within an agreed scope of authority. The main issue for financial reporting is whether the person appointed is acting in its own name or merely administering funds for another person, as this will determine the recognition of revenue, expenses and balances under its control. Agency theory is useful to understand the

problems that can arise from the delegation of authority, particularly asymmetries in information and the necessity for effective control (Jensen & Meckling, 1976). In zakat however, the relationship cannot be understood from contractual obligations only. It is also influenced by Shariah requirements and by wider expectations of accountability. The principal remains accountable to the relevant authorities, zakat payers and beneficiaries. The appointed agent is responsible for ensuring that distributions are in accordance with the asnaf eligibility, approved program conditions, utilisation periods and documentation requirements. Recent studies on corporate zakat payers and financial institutions reveal that delegated distribution is of practical importance, but its financial reporting implications are relatively less explored (Ishak et al., 2023; Mohd Hussin et al., 2025; Zaini et al., 2025).

Such uncertainties lead to a number of risks in reporting. For example, funds transferred in advance may be recorded as if distribution has already been completed even if the agent has not yet distributed them to eligible recipients. The same amount may be present in the records of more than one party without adequate explanation of each party's role. Net presentation can obscure unused balances, and disclosures can only show approved or transferred amounts without explaining how much was actually consumed, returned or left outstanding over time. It is then more difficult to trace the figures in the financial statements to the relevant categories of asnaf, programs, locations and supporting documents. So, the root cause is the lack of visibility at the transaction level. To address this, we must look at the whole wakalah reporting cycle from appointment and approval, to transfer of funds, to implementation of program, to verification, to reconciliation, to assurance and public disclosure.

Financial Reporting, Disclosure and Accountability of Zakat Institutions

Research in Malaysia continues to find differences in the depth and quality of zakat reporting between institutions. Information on collection and distribution is generally easier to obtain but full financial statements, governance information and wider accountability disclosures are not presented with the same consistency. Further, previous research has also identified that data on accounting policies, cash flows, internal control, risk management, trustee supervision and collection and distribution activities were relevant for assessing institutional accountability (Abidin et al., 2014; Htay & Salman, 2014). Nevertheless, comparability across states remains challenging due to the variation of governance arrangements, valuation methods, documentation practices, information systems and reporting procedures among jurisdictions (Abdul Ghani et al., 2017; Sulaiman et al., 2016). PPIBW provides a more coherent formal basis for reporting, but its practical value will depend on how institutions interpret and implement the requirements, and on the strength of their data, staff capacity and oversight.

Performance information is important in wakalah cases especially because an outstanding balance speaks more than how an amount has been classified in the accounts. It also indicates what did or did not happen in the distribution process. Same information may be interpreted differently by different stakeholders based on their responsibilities & interests. For example, the presence of undistributed balances or weaknesses in the management of zakat funds can affect the assessment of the performance of institutional distribution (Shafie et al., 2016; Taha et al., 2017; Wahid et al., 2017). Hence, one should not expect trust to arise merely from the disclosure of more information. It is more likely to occur where reporting is supported by strong governance, suitable controls and evidence that zakat obligations have been properly met. This is supported by research linking stakeholder trust to governance quality and compliance (Ab Aziz & Mohd Anim, 2020; Bin-Nashwan et al., 2021).

Regulatory Landscape: PPIBZW, AAOIFI and IPSAS

PPIBZW is the main reporting framework for Baitulmal, zakat and wakaf institutions in Malaysia that specifies the terminology and accounting requirements used for presentation, assets, revenue, expenses, liabilities and disclosure (JANM, 2023, 2024, 2025). The most important implications of wakalah is that the transfer of funds should not be assumed automatically as proof that the obligation to distribute has been discharged. The institution may transfer cash to an authorised representative yet retain responsibility for ensuring that the zakat distribution is completed. Where the required conditions have not yet been met, the related balance should continue to be reported in accordance with PPIBZW rather than be recognised immediately as a completed distribution.

In terms of the reporting issues associated with wakalah, AAOIFI and IPSAS provide useful points of comparison. AAOIFI FAS 1 provides a guideline for Islamic financial reporting about presentation, material disclosures and important accounting policies, while FAS 39 deals with financial reporting for zakah (AAOIFI, 2021a, 2021b). Relevant concepts relating to revenue, transfer expenses, binding arrangements and the recognition of related rights and obligations are introduced from a public-sector point of view in IPSAS 47 and IPSAS 48 (IPSASB, 2023a, 2023b). In this proposed study, the standards are used as supporting references, not as a substitute for the Malaysian framework. They also serve to ascertain whether the treatment of conditional transfers and outstanding obligations is logically consistent, with PPIBZW and the rulings of the relevant Shariah authority continuing to be the main basis for practice in Malaysia.

The hierarchy applied in this study is a reflection of the different roles played by the three reporting frameworks. PPIBZW continues to be the key benchmark reference in the Malaysian setting. AAOIFI as a Shariah-based benchmark and IPSAS as a relevant benchmark for the public sector, particularly conditional transfers and liabilities, are also used. These roles are summarised in Table 1. The intention of bringing the frameworks together is not to merge their requirements indiscriminately, but rather to use them in a structured manner that will lead to more consistent reporting decisions at the transaction level and reduce the risk of selective application of principles.

Table 1: Comparative Regulatory Matrix for Wakalah Zakat Reporting

Dimension	PPIBZW	AAOIFI FAS 1 & FAS 39	IPSAS 47 & IPSAS 48	Role in Framework
Primary orientation	Malaysian Baitulmal, zakat and wakaf entities	Islamic presentation and zakah reporting	Public-sector revenue and transfer expenses	PPIBZW is primary; others are supporting comparators

Dimension	PPIBZW	AAOIFI FAS 1 & FAS 39	IPSAS 47 & IPSAS 48	Role in Framework
Recognition focus	Substance, revenue, expense, liability and wakalah balances	Shariah-consistent obligations, presentation and disclosure	Rights and obligations in revenue/transfer arrangements	Completion-based recognition of wakalah obligations
Principal-agent issue	Agency substance and amounts handled for another party	Faithful presentation of material obligations	Analogous control and binding-arrangement logic	Decision based on control, discretion, risk and return rights
Presentation/disclosure	Deferred/restricted items, policies, balances and risks	Material policies, judgements and zakah obligations	Terms, judgements, assets, liabilities and transfer expenses	Separate deferred balances plus a reconciled minimum disclosure note
Implementation role	Mandatory local reference	Shariah-oriented international benchmark	Public-sector conceptual benchmark	Integrated operational guide without replacing standards

Source: Developed by the authors from JANM (2023, 2024, 2025), AAOIFI (2021a, 2021b) and IPSASB (2023a, 2023b).

Theoretical Foundations

Moral underpinning of Islamic accountability is the basis of understanding Zakat reporting. Here stewardship implies accountability to Allah and to the people and institutions who have legitimate claims over the zakat resource. Therefore, concepts such as amanah and maqasid al-Shariah (Baydoun & Willett, 2000; Kamla et al., 2006; Lewis, 2001) shape the purpose of reporting and the ethical boundaries of its operation. Another related perspective is given by agency theory, which explains the control problems that arise when responsibility is delegated. The discretion of principals and agents may vary, and they may not have access to the same information. Therefore, clear classification, documentation, reconciliation and monitoring is required (Jensen & Meckling, 1976). Agency theory provides a pragmatic lens through which to understand delegated responsibility in this study but does not substitute for the wider Shariah-based obligations underpinning zakat stewardship.

Stakeholder theory can help identify the different users of wakalah reporting and their information needs. Regulators need to see evidence that zakat funds are being managed in accordance with the relevant requirements. Payers want to see evidence that the funds that they have been entrusted with for distribution are being used for the purpose intended. The beneficiaries expect fair and appropriate access to zakat assistance, the managers need the timely information to make operational decisions, and the auditors need a clear transaction trail to be inspected and verified (Ebrahim, 2003; Shafie et al., 2016). Legitimacy theory adds a further dimension in that it considers the effect of reporting practices on the external perception of the institution. Unexplained deferred balances, inconsistent accounting treatment or delays in reporting may raise concerns about stewardship even in the absence of evidence of misuse. In contrast, transparent explanations of variances, outstanding balances and corrective actions can enhance accountability by facilitating external users to evaluate institutional practices (Suchman, 1995; Sawmar & Mohammed, 2021).

These four perspectives work together but should not be used interchangeably. Islamic accountability defines the purpose of reporting and its ethical limits. Agency theory is then used to describe the problems that occur in the delegation of authority and the asymmetric possession of information. Stakeholder theory explains why different users require different types of information whereas legitimacy theory explains why credible reporting can affect the institutional acceptance of the company. This division of roles connects the transaction-level accounting mechanisms to the accountability and organisational outcomes anticipated by the framework.

Research Gap and Conceptual Positioning

In this synthesis three gaps are identified. First, the discussion on wakalah is still largely at the institutional or program level, although many of the reported risks are embedded in the sequence of transaction events. Second, the PPIBZW, AAOIFI and IPSAS are often viewed in isolation, and their relative authority and practical roles in delegated distribution may not be clear. Thirdly, disclosure research has rarely traced the chain from transaction-level reporting design to information quality and then to accountability, trust or distribution management. The common problem across these gaps is the lack of visibility of the status of the same entrusted amount across different stages and parties.

The model suggested is somewhere between a broad conceptual framework and a detailed operating manual. It does not intend to amend PPIBZW nor prescribe journal entries for all state transactions. Instead, it offers a meso-level framework linking principles, transaction stages, evidence, disclosure and anticipated outcomes. This positioning allows for direct testing of the model via case studies, disclosure metrics, audit reviews and transaction-level research.

Conceptual Methodology

The study is a theory development design supported by an integrative literature review. This approach is useful when the purpose is to connect fragmented literatures, to refine constructs and to specify relationships for future empirical testing, rather than to estimate effects from a sample (Jaakkola, 2020; Snyder, 2019; Torraco, 2005). Whetten's (1989) questions of what, how, why and under what conditions were used to check theoretical completeness. Sources were drawn from three clusters: authoritative accounting material, especially PPIBZW, AAOIFI FAS 1 and FAS 39 and IPSAS 47 and 48; empirical and review work on zakat

reporting, governance, trust, performance and wakalah; and theoretical work on Islamic accountability, agency, stakeholders and legitimacy.

Analysis was iterative. The wakalah cycle was first re-constructed from appointment and approval via transfer, distribution, verification and reporting. Issues in each stage were coded into categories of recognition, measurement, presentation, disclosure, control and outcome. The standards were compared to identify the areas where PPIBZW had a priority and where AAOIFI or IPSAS could only serve to a supporting analogy. Finally, the reporting mechanisms were linked to the qualitative characteristics of useful information and four theoretical perspectives. Reasoned expectations of this synthesis rather than empirical estimates are these propositions.

Proposed Conceptual Framework for Wakalah Zakat Financial Reporting

The framework is presented as a sequence, not a simple disclosure checklist. It outlines four main layers: normative and institutional bases, wakalah reporting mechanisms, information quality, and accountability and institutional outcomes. Implementation maturity, digital capability and governance capacity are then contextual enablers rather than separate outcomes. This layer is important, because compliance, transparency, accountability, trust and distribution effectiveness are not to be treated as one construct. Nor should they be taken to follow from each other automatically.

Normative and Institutional Foundation

PPIBZW is the highest in the hierarchy and directly manages the reporting of Malaysian Baitulmal, zakat and wakaf entities. AAOIFI can assist in the interpretation of Islamic reporting, while IPSAS can offer useful analogies from the public sector for conditional transfers or binding arrangements. But neither of these overrides' local requirements. If there is doubt, reference shall be made to the competent Malaysian authority and Shariah governance process for final treatment. This hierarchy is related to a more general aim of reporting. Wakalah reporting should show that delegated authority was within its mandate, that the money was protected, that beneficiaries or programs met eligibility criteria, and that any deviations were identified and corrected.

This objective also serves to mark the boundary of accountability. Even if physical custody of an agent is transferred, the principal may still have monitoring obligations, recovery rights or responsibility for unresolved distribution. Hence, such amounts should remain in the reporting system until the relevant stewardship obligation has been demonstrated to have been satisfied. The framework therefore maintains the status of the obligation and the bank account where the cash is held.

Transaction Recognition and Measurement

The wakalah contract should be the basis for reporting a transaction as the contract determines the rights and restrictions that determine the subsequent accounting treatment. It should specify principal and agent, delegated scope, eligible as naf or programs, distribution period, eligible costs, evidence requirements, treatment of unused balances and audit rights. Labels are not sufficient. But the more important question is substance. Who chooses the beneficiaries, who

takes the hit for non-compliance, and who controls residual funds and how much discretion is exercised by the representative?

However, mere transfer to an agent does not constitute distribution of zakat per se. The underlying distribution obligation remains open, but PPIBZW should be used as a guide for classification for transparency. The conditions of eligibility, timing and evidence must have been satisfied and verified before distribution can be deemed complete. This completion logic prevents cash movements being treated as fulfilment before the zakat has in substance reached its approved purpose.

Then measurement should be based on reconciliation. Approved and transferred amounts are reconciled to verified distributions, authorised adjustments, returns and ineligible items so that the closing balance can be explained and supported. The basis of the valuation of non-cash assistance should be documented. Losses, misuse or irrecoverable items need a separate assessment otherwise an operational variance may be hiding a control failure. The same discipline is required at year-end when program activity and supporting documents fall into different reporting periods. Accordingly, evidence received after year-end should be evaluated by determining whether it confirms conditions that existed at the reporting date or indicates a subsequent event.

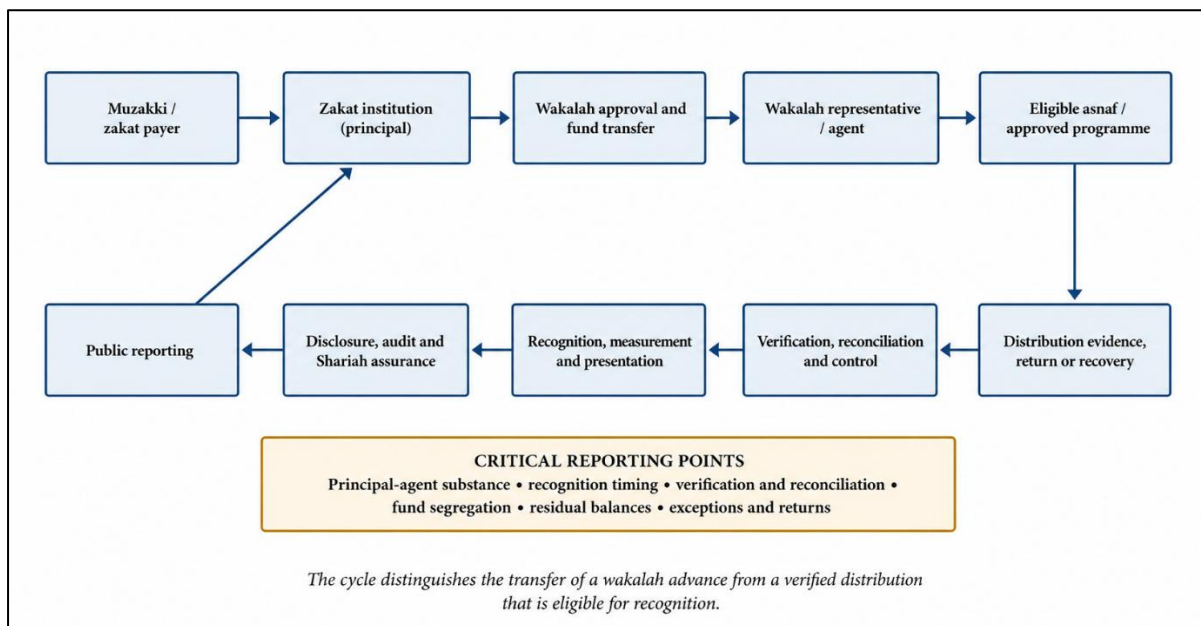


Figure 1: End-to-End Wakalah Zakat Transaction and Reporting Cycle

Source: Developed by the authors.

Presentation, Fund Segregation and Reconciliation

It must be clearly presented, that there is a difference between transferred money and a satisfied distribution obligation. Balances not meeting the completion criteria are to be separately identifiable under PPIBZW. Avoid also inappropriate netting because it can hide residual amounts. Segregation is, in this context, a largely information requirement. Where restrictions are applied by state, program, asnaf category, representative or reporting period, subledgers,

project codes and reconciliations should provide an unbroken audit trail even when cash is pooled for operational reasons.

We suggest a wakalah reconciliation note as the main disclosure linking these elements. The opening deferred balance will be reconciled to then current year approvals or transfers, verified distributions, returns, cancellations and other authorised adjustments before the closing balance is displayed. Reconciliation of the general ledger and agent level records is still of paramount importance. An ageing analysis, which separates balances still within the approved period from those that are overdue or are subject to recovery action, provides a further view of risk.

Minimum Disclosure Architecture

Table 2 breaks down the accountability objective into seven disclosure domains: mandate and accounting policy; financial profile; distribution profile; costs and fees; governance and control; exceptions and remedial action; and program performance. The goal is not to extend notes but rather to assist users in understanding what was authorised, transferred, verified, left outstanding and explained. The generic statements of policy are considered insufficient in the absence of completion rates, time limits, residual balances, breaches and other evidence of implementation.

Financial and program information should be able to be reconciled as well. Where the basis for measurement is obvious distribution amounts can be linked to beneficiary numbers and program outputs, outcomes require more caution. Observed delivery (e.g. number of assistance packages) is not the same as a causal claim about household welfare. When causality is not established, reporting should document the basis for measurement and limitations, rather than allowing promotional claims to outpace the evidence.

Table 2: Proposed Minimum Disclosure Architecture for Wakalah Zakat

Domain	Core disclosure	Evidence	Accountability purpose
Mandate and policy	Legal/Shariah basis; agent eligibility; amount/rate; period; recognition policy	Policy, contract, Shariah decision	Clarifies authority and accounting basis
Financial profile	Opening; approved; transferred; verified; returned/adjusted; closing deferred balance; ageing	Ledger, bank record, reconciliation	Shows completion status and residual risk
Distribution profile	Asnaf; location; programme; recipients; cash/non-cash; period	Recipient register, payment proof, programme records	Links amounts to eligible use without exposing identities
Costs and fees	Permitted costs; agency fees; cost bearer; allocation basis	Invoices, approvals, allocation records	Prevents hidden charges and inconsistent netting

Domain	Core disclosure	Evidence	Accountability purpose
Governance and assurance	Approval levels; segregation; internal audit; Shariah/external assurance; follow-up	Minutes, audit trail, assurance reports	Demonstrates oversight and responsibility
Exceptions and remediation	Late reporting; ineligible recipients; missing/duplicate evidence; loss; recovery; corrective action	Exception, investigation and recovery records	Makes adverse information visible
Performance and outcomes	Completion time/rate; overdue balances; outputs; cautiously measured outcomes; limitations	Dashboard, evaluation, reconciled performance data	Connects stewardship with distribution management

Source: Developed by the authors based on the literature and standards reviewed.

Governance, Shariah Assurance and Digital Traceability

The design of controls is part of the reporting framework since the quality of evidence relies on how responsibilities for approval, payment, monitoring, verification and financial reporting are shared. Risk-based checks are especially important for beneficiary eligibility, conflicts of interest, high-value transactions and evidence not being available for a long period. Design and execution should be covered under Shariah assurance. Ex ante review can look at contracts, allowable costs, and asnaf rules. Ex post work can test transactions and supporting documentation. Assurance is more useful when its criteria, scope and limitations are made visible (Wahyuni-TD et al., 2021).

Digital systems can enhance traceability if used as part of the monitoring process. Unique transaction identifiers, timestamps, linked payments, evidence uploads and automated matching can make it easier to track the movement and status of wakalah funds. But technology does not substitute control. The reliability of digital evidence is still supported by access rights, change logs, duplicate detection, cybersecurity, data protection and continuity arrangements. Institutions can build up these capabilities over time, but material balances and high-risk exceptions should remain traceable and reconcilable regardless of the level of system maturity.

Information Quality and Institutional Outcomes

Reporting mechanisms are only useful if the information they produce meets accepted quality criteria. Relevance requires information that either shows whether objectives have been met or what risks have been identified. Faithful representation requires, in turn, a complete and neutral statement of the funds' status. Comparability needs consistent rules and proper reconciliation. Verifiability needs evidence that can be checked. Also, timeliness is important as the time between distribution activity and reporting should be as short as practicable. Clarity can be improved by clearly separating amounts that have been approved, transferred, verified or deferred. Better information makes it easier to see where balances, variances and lines of responsibility are unresolved. While it may support transparency, it is not the only thing that shapes stakeholder trust, institutional reputation and perceived fairness and prior experience

also play a role. Routine management ageing analyses and exception records can help identify delayed programs, higher risk agents and amounts that might need to be recovered.

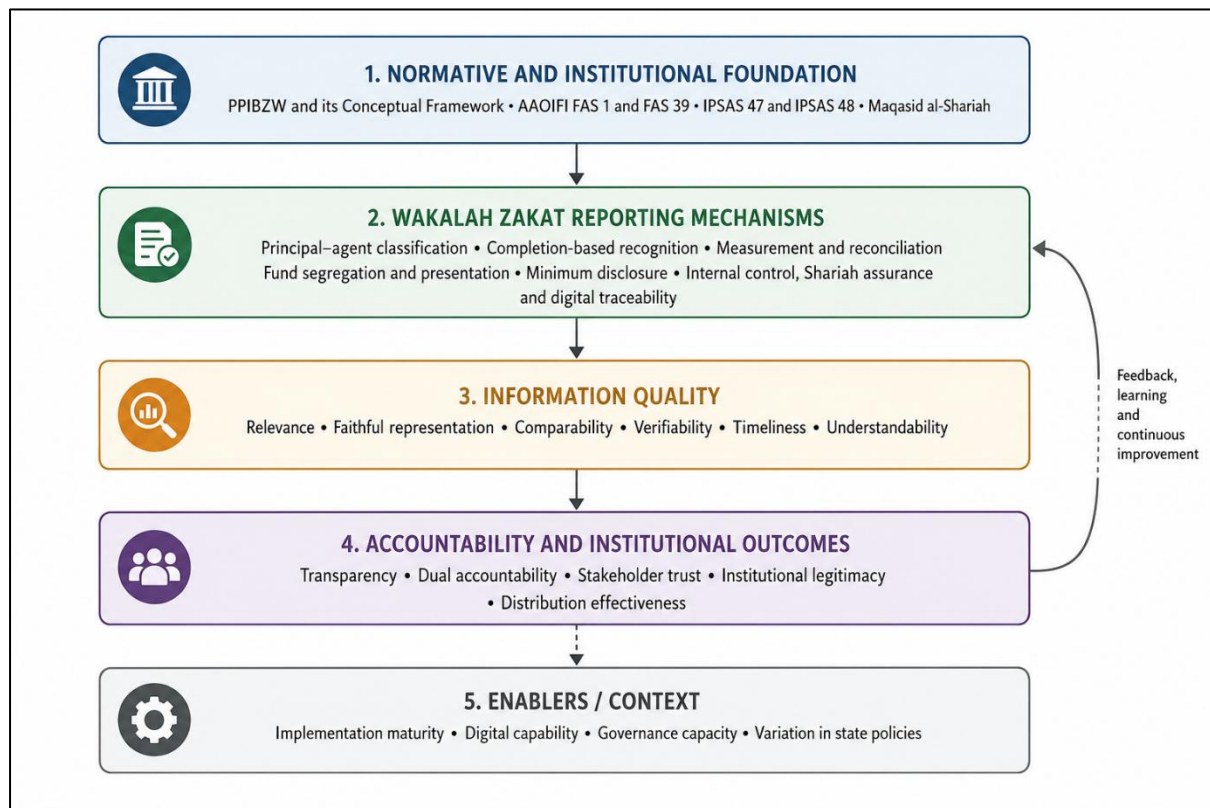


Figure 2: Proposed Conceptual Framework for Wakalah Zakat Financial Reporting

Source: Developed by the authors.

Conceptual Propositions

The framework is expressed in six propositions so that its relationships can be tested empirically at transaction, program or institutional level. These propositions imply the expected theoretical direction, not established causality. Table 3 then connects each proposition to the main theoretical logic behind it, and to possible operational indicators.

Proposition 1: Consistent use of PPIBZW is expected to improve the quality of information reporting, considering that AAOIFI and IPSAS are used only for clearly delimited supporting purposes.

Proposition 2: Clear classification of principal-agent, coupled with recognition based on verified completion, is expected to enhance faithful representation of wakalah balances and distribution performance.

Proposition 3: Wakalah specific disclosure that reconciles approvals, transfers, verified distributions, ageing, returns and exceptions is expected to support greater transparency and comparability.

Proposition 4: Governance, internal control and Shariah assurance are expected to enhance the relationship between wakalah reporting mechanisms and accountability outcomes.

Proposition 5 The accountability value of digital traceability should be greater where the control environment is reliable. Digital traceability will be more likely to improve verifiability and timeliness.

Proposition 6: Higher quality wakalah information is expected to enhance stakeholder trust, institutional legitimacy and distribution-management effectiveness, although these outcomes are subject to contextual influences beyond the reporting system.

Table 3: Conceptual Propositions and Suggested Operational Indicators

P	Expected relationship	Theoretical logic	Illustrative indicators
P1	Standards alignment -> information quality (+)	Normative compliance; comparability	Policy alignment; classification consistency; disclosure compliance
P2	Clear agency classification + completion recognition -> faithful representation (+)	Agency theory; substance over form	Early-recognition errors; unreconciled balances; audit adjustments
P3	Wakalah-specific reconciliation disclosure -> transparency/comparability (+)	Stakeholder information needs	Disclosure index; consistency; reconciliation completeness
P4	Governance, control and Shariah assurance strengthen reporting -> accountability	Stewardship; control; Islamic accountability	Segregation of duties; follow-up; assurance scope; control maturity
P5	Digital traceability -> verifiability/timeliness (+)	Reduced information asymmetry	Transaction IDs; automated matching; reporting lag; audit logs
P6	Information quality -> trust, legitimacy and distribution management (+)	Legitimacy; stakeholder theory	Payer trust; completion rate; overdue balances; programme indicators

Note: The positive sign indicates the theoretically expected direction; empirical testing is required.

Research and Implementation Agenda

The empirical validation can be done stepwise. Comparative case studies of state zakat institutions could include contracts, financial statements, reconciliations and transaction processes to assess whether the proposed cycle captures meaningful differences in practice. Table 2 can then be developed into a disclosure index. Content validity can be tested by accounting, Shariah, zakat, auditing and public-sector experts followed by inter-rater testing using real reports. Later, the propositions could be tested by means of several sources of evidence. Reporting quality could be measured through content analysis and expert review; control or assurance indicators for governance; stakeholder surveys for trust and completion

time; overdue balances or exception rates for distribution management. Where temporal ordering is important, longitudinal designs would give stronger evidence.

A complementary route is provided by design-oriented research. Prototypes of reconciliation notes, decision tree models, and dashboards could be tested against realistic scenarios such as partial distribution, returned balances, ineligible beneficiaries, non-cash assistance and missed deadlines. Implementation should also be incremental. Institutions may diagnose current policies and data flows, standardise codes and responsibilities, pilot selected programs, integrate systems and apply formal assurance. Each stage requires a named owner and a record of unresolved gaps so that additional disclosure is not confused with better source data.

Theoretical Contributions

The framework makes two related theoretical contributions. First, it shifts accountability from the general institutional perception to the series of decisions in a transaction. Therefore, classification, recognition timing, segregation, evidence, reconciliation and exception handling are seen as points where stewardship can be made more visible. Second, the framework includes four theories without reducing them to decorative labels. Islamic accountability provides the purpose and ethical boundaries, agency theory explains the delegation and asymmetry of information, stakeholder theory identifies the information needs, and legitimacy theory explains the institutional consequences of .

Its distinctive construct is stewardship-fulfilment visibility, namely how well a reader can trace the changing status of a wakalah amount as it goes from approval and transfer to verified distribution, deferral, return or exception. The construct is more restricted than generic transparency, in that it has an object, a temporal sequence and verification criteria. Thus it can be operationalised in future studies of disclosure indices, audit protocols and at the transaction level.

Practical and Policy Implications

The framework can accommodate implementation guidance under PPIBZW for JANM and other competent authorities without competing with it. A practical package could consist of a principal-agent decision tree, examples of cut-offs, a standard format for reconciliation, minimum evidence requirements and illustrative disclosure. A common core would enhance comparability, while still permitting state-specific enactments and policy choices.

Organisational and accounting are the implementation for zakat institutions. If program, Shariah, risk and technology teams have not captured transaction status in the course of the year, then the finance function alone cannot come up with a credible wakalah note at year-end. Agree data ownership, evidence deadlines, ageing reviews and escalation processes up front. Agents should also have explicit duties to keep separate records, document beneficiary eligibility, report unused balances and allow review. Public facing dashboards may improve timeliness, but each summary figure should be reconciled to audited financial statements. Speed and presentation are secondary; consistency and verifiability are primary.

Limitations

The framework has a few limitations. First, it is grounded on conceptual synthesis and has not yet been tested with transaction records of all Malaysian state zakat institutions. Second, AAOIFI and IPSAS are only used as a benchmark for comparison, hence any analogy made from them still needs to be validated locally. Third, the proposed mechanisms may be implemented differently in practice due to the differences in state enactments, organisational structures, accounting systems and wakalah models. Finally, reporting, service quality, perceived fairness and institutional reputation all affect trust development and distribution outcomes. Thus, the model should be seen as a structured platform for testing, not as evidence that all institutions are prone to the same frailties, or that adoption per se will lead to better collections or welfare. Further testing at transaction level, shariah consultation and implementation research need to be undertaken before formal guidance can be proposed.

Conclusion

PPIBZW has enhanced the reporting foundation of Malaysian Baitulmal, zakat and wakaf entities. However, a specific timing issue with Wakalah remains, where cash might be transferred prior to the verification of delegated distribution. The reported task then is to keep the status of the entrusted amount visible during that interval. The proposed framework addresses this issue within a context of six interrelated mechanisms, i.e. Principal-agent classification, Completion-based recognition, Measurement and Reconciliation, Fund Segregation and Presentation, Wakalah-specific Disclosure and Governance, supported by Shariah assurance and Digital Traceability. These mechanisms are expected to work in conjunction to enhance the quality of information available for scrutiny and distribution control.

The main conceptual contribution of the paper is stewardship-fulfilment visibility. The construct does not consider transparency as a general good but asks a more specific question: can the user track the same wakalah amount through approval, transfer, verified distribution, deferral, return or exception, and associate each state with evidence? This focus gives a measurable link between financial reporting, Shariah stewardship, and institutional responsibility. The framework can also be applied for more consistent disclosures, stronger reconciliation and more disciplined evaluation of wakalah distribution in Malaysia with empirical and Shariah validation.

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