

Missing Items in Zakat Distribution: A Case in Kelantan, Malaysia

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ABSTRACT

This study attempts to analyze missing items in current zakat distribution among the poor and needy zakat recipients in Kelantan. The study is motivated by few shortcomings of current zakat distribution as well as an increasing amount of expenditure annually on the two categories of zakat recipients, and yet the number of poor (fuqara) and needy (masakin) households is increasing. The current amount of zakat monthly distribution seems to raise some issues due to its weaknesses. This paper examines several missing elements in the current zakat distribution in Kelantan, Malaysia. The research was conducted through in-depth interviews with selected zakat recipients from a variety of socio-economic-cultural backgrounds in Kelantan, Malaysia. This study recommends that these items should be included in future zakat distribution in order to improve and strengthen the Muslims economy condition, and then, it would facilitate the poverty alleviation programs by the zakat department.

Keywords: Zakat Poverty Line, Had Kifayah, Poor and Needy, Kelantan, Malaysia

INTRODUCTION

Zakat (Almsgiving) is one of the most important instruments in the Islamic economic system, and it plays a significant role in eliminating inequalities in society. Muslims who possess surplus wealth are obligated to pay *zakat*, and this fund will be distributed to prescribed eight beneficiaries known as *zakat* recipient (*asnaf*) group with the priority given to the poor and needy.

The general principle of *zakat* distribution has been laid down clearly in the *Qur'an* as underlined in *Surah Al-Taubah* verse 60 that states: "*Alms are for the poor and the needy, and those employed to administer the (funds) for those whose hearts have been (recently) reconciled (to Truth) for those in bondage and debt in the cause of Allah*

and the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom".

The purpose of distributing *zakat* fund is to alleviate poverty, to protect the welfare, to improve economic hardship and to develop the infrastructure of Muslim society through the redistribution the income and wealth from the wealthy to the needy (Yusuf Qardhawi, 2000). In Malaysia, the responsibility of the collection and distribution *zakat* fund is empowered to *zakat* institutions in which every 14 state in Malaysia has its *zakat* institutions. Indeed, the effectiveness of *zakat* distribution manage by the *zakat* institutions has become the main concern in Muslim's society as they hope that the fund could

free the recipients from poverty or improve their quality of living.

In determine the qualified *zakat* recipients, most *zakat* institutions in Malaysia use the monetary approach called *Zakat Poverty Line (ZPLI)* or *Had Kifayah*¹ (HK) method. It is almost identical as the Government Poverty Line Income (PLI) because it uses income as the variable to determine whether the individual or household is poor or otherwise (Fahme, 2014; Mohamed Saladin Abdul Rasool e.t al, 2011). PLI is set by the Economic Planning Unit (EPU) of the Prime Minister Department, while *Had Kifayah* is determined by the respective state *zakat* institution. *Had Kifayah* determines the level of necessity needed by a household to sustain daily needs. It is calculated based on various variables such as the number of members in a family, age group of members, etc. JAWHAR² (2007) has outlined the main components in determining *Had Kifayah* (necessity) of a household as shelter, food, clothing, health, education, and transportation based on *Maqasid al Sharia* (human needs). The setting of *Had Kifayah* will ease the process of identifying the position of the applicants straightaway, namely whether non-poor, poor, or hard-core poor. Table 1 shows the amount of *had kifayah* based on the household category in Kelantan.

Table 1 shows the amount of the *zakat* poverty line based on the necessity of a household in Kelantan. For example, a family with both parents working, a teenager aged 21 in university, a school teenager aged 16, a child aged 10 and 5 and living in a paid

house in the urban area is suggested to need MYR 1,578.50³ for the household. If the monthly household income is RM 2000, then this family is not qualified for *zakat* distribution because the household income is more than the ZPLI of this household (above MYR 1578.50). Nevertheless, if the household income is MYR 1000, then this household is qualified for *zakat* distribution. Kelantan *Zakat* Centre (MAIK) will distribute the shortfall (ZPLI gap) of MYR 578.5 to this family to fulfill their basic needs. In addition, if there is any situation such as households with a disabled individual or one with a chronic sickness, the total amount of ZPLI increases.

The Kelantan *zakat* poverty line (*Had Kifayah*) is an absolute poverty line based on the gross monthly household income that is required to meet their basic needs. It is estimated based on food and non-food items and the cost of basic needs (CBN) approach (MAIK, 2013). In general, the CBN approach entails stipulating a food consumption bundle anchored to calorie requirements, as an artifice to determining the cost of the minimum food nutritional (calorie) requirements of everyone, and adding a non-food allowance based on the non-food budget shares of poor households, to obtain a total poverty line which represents an acceptable standard of living in society.

¹ *Had al-kifayah* is sustainable needs level according to Islamic principles, i.e amount needed by a household to fulfill their basic needs in accordance with the *Sharia* point of view, hereafter termed as *Had Kifayah*.

² Department of Awqaf, *Zakat* and Hajj

³ MYR 549+ MYR 236.5+ MYR 274+ MYR 236.5+ MYR 179.5+ MYR103 = MYR 1,578.5

Table 1. Kelantan Zakat Poverty Line (Had kifayah) Per Month (2014)

Category	Expenditure	Urban (MYR)	Rural (MYR)
Family Head	Shelter	*60.00/#312.00	*36.00/#234.00
	Food	72.00	54.00
	Cloth	36.00	18.00
	Medical	31.50	15.50
	Education	-	-
	Traveling	97.50	58.50
	Total		*297.00/#549.00
Adults (Working)	Shelter	-	-
	Food	72.00	54.00
	Cloth	36.00	18.00
	Medical	31.50	15.00
	Education	-	-
	Traveling	97.50	58.50
	Total		236.50
Adult (Not working / not schooling)	Shelter	-	-
	Food	72.00	54.00
	Cloth	36.00	18.00
	Medical	31.50	15.50
	Education	-	-
	Traveling	-	-
	Total		139.50
Adult (Schooling)	Shelter	-	-
	Food	63.00	47.00
	Cloth	31.50	15.70
	Medical	29.50	14.80
	Education	72.00	72.00
	Traveling	78.00	54.00
	Total		274.00
Teenagers (Schooling)	Shelter	-	-
	Food	63.00	47.00
	Cloth	31.50	15.70
	Medical	29.50	14.80
	Education	54.00	54.00
	Traveling	58.50	35.00
	Total		236.50
Children (Schooling)	Shelter	-	-
	Food	33.70	34.00
	Cloth	22.50	11.00
	Medical	28.80	14.50
	Education	36.00	36.00
	Traveling	58.50	35.00
	Total		179.50
Children (Not Schooling)	Shelter	-	-
	Food	33.70	34.00
	Cloth	22.50	11.00
	Medical	28.80	14.50

Category	Expenditure	Urban (MYR)	Rural (MYR)
	Education	18.00	18.00
	Traveling	-	-
	Total	103.00	77.50

*Own House # Rent House

Source: MAIK, 2014

LITERATURE REVIEW

The purpose of distributing *zakat* is to alleviate poverty, to protect the welfare, to improve economic hardship and to develop the infrastructure of Muslim society through the distribution of income and wealth from the non-poor to the poor and needy (Yusuf Qardhawi, 2000). Indeed, the effectiveness of *zakat* distribution has become the main concern of the Muslim society as they hope that the fund could free recipients from poverty or if not to improve their quality of living. As noted, many previous studies had shown the effectiveness of *zakat* distribution based on the economic perspective of *zakat* recipients such as the level of income (Mujani, 2005; Ibrahim & Salleh, 2006; Fuadah, 2004; Mohamad, 2008; Zakariah et al., 2010; Mahyuddin & Abdullah, 2011). If the income soars, *zakat* distribution is deemed sufficient. However, if otherwise, the distribution is judged as failing to meet its goal. The income is chosen as an indicator due to the perception that money could solve humans' needs, including poverty. Although it has been well accepted, this assessment receives high criticism. Many claims that this assessment is unfair because human needs are not only confined to money but also include non-monetary items (Fox, L. et al., 2015). In fact, they go beyond the notion of income and encompass social, religion, economic, knowledge, and spiritual, among others (Mohamad Saladin et al., 2011). According to

Rosbi and Sanep (2011), a better assessment of human needs should be evaluated in the perspective of *Maqasid al-Sharia* that consists of religion, physical-self, knowledge, family and wealth and failure to attain these stipulated needs qualify a human to be poor.

Previous poverty studies in Kelantan demonstrate a considerable number of different results on the needs of the poor and needy in Kelantan. For example, Ahmad Fahme et al. (2018) analyze the food and non-food expenditure among the poor in Kelantan, Malaysia. Findings show that the expenditure pattern on food and non-food items shares among the poor is different. Younger age has a higher expenditure on food while the older age spends higher expenses on non-food items (i.e., housing). The urban area, female and married household head variables show a higher amount of expenditure. The result of this study indicates that not all poor people in Kelantan spend most of their spending on food items. Thus applying the same higher food items on each poor and needy household would overstate the food expenditure and devalues the cost for non-food items. Therefore, it will create a flawed poverty line, which further can create a flawed poverty assessment.

Meanwhile, Senadjki Abdelhak et al., (2017) found out that education and association memberships are not essential factors that might contribute to the enhancement of poor's livelihood

while access to irrigation and having savings (at banks and/or homes) were found to have significant negative impact on farmers' monthly income in Kelantan and Terengganu. As a result, assets are found to decrease the income of farmers partially due to the farmers' decision-making strategies, which seems to be poor and inadequate. Therefore, incorporating psychological perspectives such as farmers' behaviors and perceptions are utmost important to understand better the complex mechanisms underlying the farmers who are falling in the poverty trap.

A.N. Ihab et al. (2016) identify the relationship between household food insecurity, food expenditure, and diet diversity among low-income households in rural Kelantan, Malaysia. Based on a cross-sectional survey of low-income households which include non-lactating and non-pregnant mothers and questionnaire method for data gathering, he found out that approximately 83.9 percent of caretaker respondents revealed that they and the members of their households had experienced periods of food insecurity in the 12 months prior to the interview. Of the 83.9 percent, 29.6 percent experienced household food insecurity; 19.3 percent of mothers whose responses to the Radimer/Cornell scale indicated individual food insecurity and 35.0 percent fell into the child hunger category. The findings were consistent with Norhasmah's finding that demographic and socioeconomic characteristics (household size, number of children, number of children attending school, household income, and per capita income) were significantly associated with household food security status in rural and urban areas in Kelantan. Energy intake, fat

intake, percentage of energy from fat, and the number of servings of meat, fish, or poultry and legumes were significantly associated with household food security status in rural areas (Norhasmah Sulaiman et al., 2011).

Zakat distribution must acquire at least a level of sufficiency and comfort living for the recipient and his dependents (Yusuf Qardhawi, 2000). The distribution must be in a particular proportion that ensures continuity of quality life where the impact of the distribution is that the recipient must obtain a certain standard of living (Mohd Parid, 2001). Standard of living here means attaining the level of mobilizing essentials (*daruriyyat*) and comfort (*hajiyyat*). Syed Othman (2006) clarifies that *zakat* is the most effective means to assist the poor and needy. He also expresses that the proportion of *zakat* received by the poor should have helped them improved their standard of living and fulfilling their basic needs (*daruriyyat*) and wants (*hajiyyat*) which forms as the minimum of their quality of life. According to Imam Nawawi (1277), (as cited by Ibrahim, E., & Johnson-Davies, D., 1982), the *zakat* distribution proportion must take into account the recipient's occupation and living circumstances. In other word, the *zakat* fund given must differ, and according to the recipients' job and current living expenses that they need (Yusuf Qardhawi, 2000). This is in line with the views of al Ghazali (1111) and al Shatibi (1388) who defines that a good life for every human must cater for two things: essentials (*daruriyyat*) and comfort (*hajiyyat*). A similar view is also shared by Afzalurrahman (1991), Mannan (1989), Muslehuddin, (1970). Murrel and Noris (1983) suggest that the quality of life concept is closely

related to an individual's or the society's feeling of satisfaction towards their living environment that provides enough necessities in the lives.

Concerning this matter, ad-Dusuqi (1815) from the Maliki school of thought and the majority of Islamic scholars from the Hanbali school of thought asserts that the *zakat* distribution for the poor and needy should be in the form of living support for one month or year (*kifayah al-Sanah*)⁴ for the recipient and his dependents. The recipient is entitled to be given *zakat* until he is freed from poverty. Among the form of aid that could be distributed are necessities, such as food, clothing, and shelter. Gifts in the form of capital for industry such as tools for the craft and others are also encouraged. Al-Shirazi (1640) from the *Shafie* school of thought, on the other hand, argues that sufficient *zakat* must be given to the poor and needy as long as they remain poor (*kifayah al-Umr*)⁵. Hairunnizam et al. (2004) studied the effect of *zakat* distribution towards improving the level of life towards *zakat* recipient (poor and needy) in Malaysia. He found out that 66 percent of the *zakat* recipient (poor and needy) did not satisfy with their basic level of life mostly of transportation, relationship, and health based on current *zakat* distribution. However, *zakat* distribution had brought a positive sign of increasing their quality of life. Muhammad Syukri (2002) found out that 86.3 percent of poor and needy in Bachok district in Kelantan feels that *zakat* distribution did not reduce their poverty burden and 99.6 percent of them feel that the management of *zakat*

nowadays cannot release them from poverty.

Furthermore, Harunnizam Wahid et al. (2004) studied the impacts of *zakat* on the quality of life of the *zakat* recipients by examining their satisfaction on the *zakat* received. It was found that the respondents were generally not satisfied with the *zakat* distribution as education and social involvement were the only factors that the respondents were satisfied with relative to other quality of life variables such as transportation, communication, health, and shelter. On the other hand, Ahmad et al. (2005) examined the satisfaction levels of *zakat* payers in Malaysia. Based on the survey conducted, it was established 57 percent of 753 respondents were not satisfied with the current distribution of *zakat* in Malaysia, which significantly affect their payment of *zakat* to *zakat* Institutions. Similar results by Wahid et al., (2010) when he found that almost half of respondents who were not satisfied with *zakat* institutions in Malaysia choose not to pay *zakat*. Their dissatisfaction was largely due to inefficiency and lack of transparency in *zakat* distribution. While Anita Md. Shariff et al. (2011) stated that Malaysia *zakat* agency needs a wider coverage of *zakat* agents to facilitate all types of *zakat* payment over the counter. She also suggests that a *Zakat* Main Centre should be setup where its functions as a policymaker for *zakat* distribution, determining *zakat* proportion for each beneficiary group in each state, consolidating *zakat* collection, undertaking research and development, supervising *zakat* institutions to meet short-term needs of beneficiaries and coordinating with the government for long-term development program. At the same time, it is also educating the public about *zakat* and distributing

⁴ Short term assistance i.e: assistance that can fulfil for one month or one year period

⁵ Long term assistance i.e: education fees, business capital assistance

zakat to context and finding solutions to any obstacles that could all beneficiary groups to meet their short-term needs.

DATA AND METHODOLOGY

This study explores the implications of a different method in estimating the missing items in *zakat* distribution in Kelantan. To evaluate the missing items in current *zakat* distribution, this study used in-depth interviews with selected participants from *zakat* recipients in Kelantan, which was collected between June 2014 and December 2014. The collection of data involved household head from different gender (male-female) and regions (urban-rural) in Kelantan. The results of the interviews are displayed through narrative-description in verbatim-transcriptions, as shown below. Sample of the study is 505 households (6.16 percent) of the total population of 8188 poor and needy (*fuqara* and *masakin*) households in Kelantan for 2014. Samples selection ranged 56 percent (550) for urban and 44 percent (433) for the rural area for an individual unit. Based on the household unit, the respondent for an urban area consisting of 283 families (56 percent) and 222 families (44 percent) in a rural area. Overall respondent in urban is higher compared to a rural area in both units.

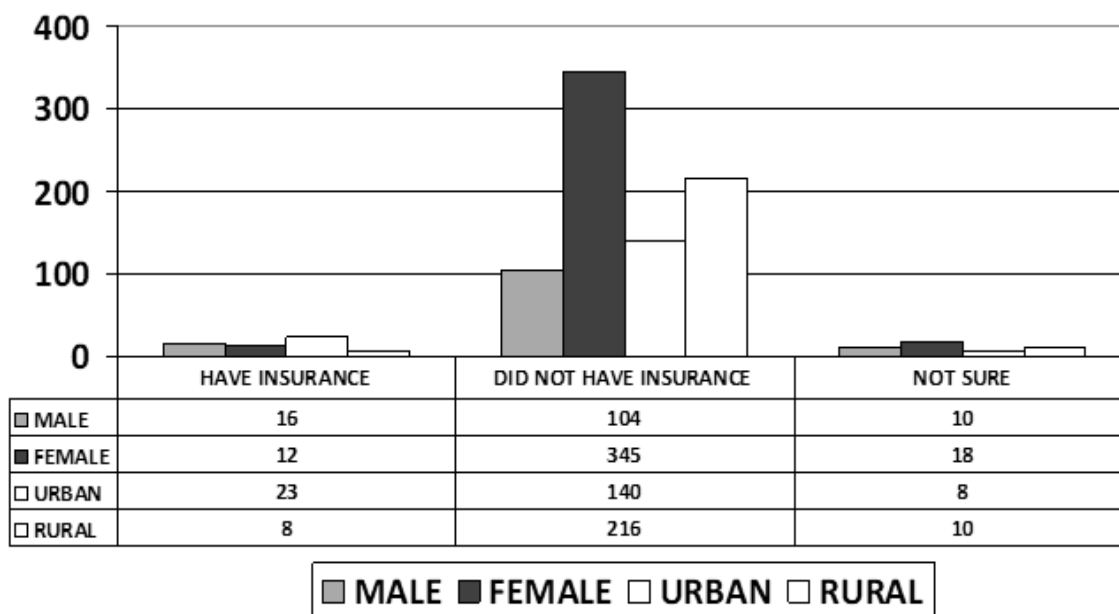
RESULTS

Results of this study indicate that apart from monthly assistant on food, house,

medical, education, transportation, and other personal items, there are four items that most required by poor and needy in current *zakat* distribution which are 1) assistants during their recessive time such as during illness of the income breadwinner of the family, 2) the needs for additional allowance during pregnancy, infant and lactation period, 3) missing allowance on household head education and 4) the needs for religious saving for *hajj* and *umrah* which most of the poor and needy desired

Medical Insurance among Household Head

The poor have little access to formal health insurance. In many surveys, questions about insurance are not even asked (Ibrahim, P, 2006; Banerjee et al., 2007; Ali. M., 2011 and Johari F. et al., 2013). In Kelantan, most of the expenditures on health are covered by the government's subsidies, own savings, borrowing, or dissaving. Only 2 percent of these expenses were paid by individuals and other self-help groups. Twenty-four percent of the households in the rural area had to borrow to pay for health expenses. The poverty among the poor and needy had brought them to eat less/ unhealthy food or taking their children out of school (Skoufias, 2005). Figure 1 shows the amount of Household head respondent which are covered with insurance and not covered with insurance.

Figure 1. Respondent Who Have Insurance and Did Not Have Insurance (N=505)

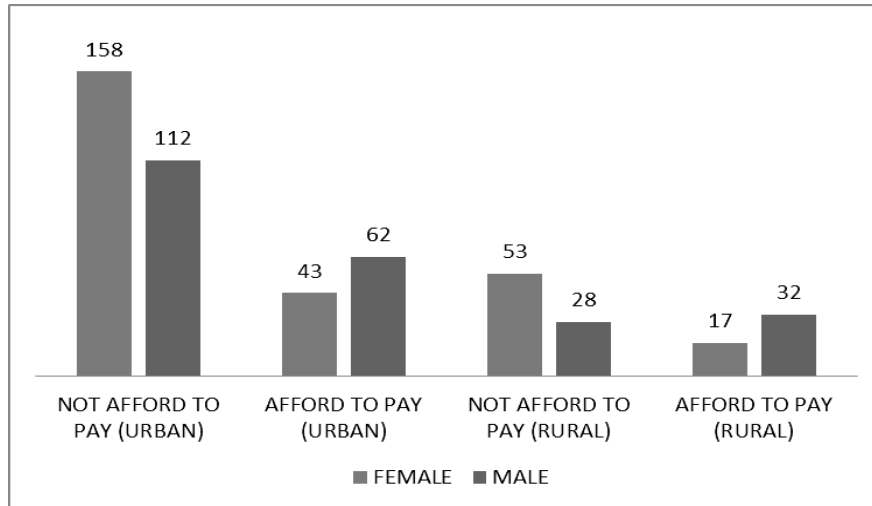
Sources: Research Questions

Results from Figure 1 show that most of the *zakat* recipients in Kelantan are not covered with insurance. Based on gender variable, the female-headed household is the highest with 345 while the male is 104. Out of 505 respondent, only 28 respondent who has insurance which is provided by their company while 449 did not have insurance covered and 28 did not make sure that the insurance covers them. In region analysis, the number of respondents who are covered by insurance is higher than that of an urban area with 23 compared to a rural area. However compared between those who covered and not covered, the majority of the respondent did not cover by insurance (356). This low-income of people are vulnerable to many perils as they live in risky environments. However, the poor are more vulnerable to risks than the rest of the population because they are the least able to cope when a crisis occurs. Poverty and vulnerability are related to each other. There is low take-up of poor on income-generating

opportunities that might reduce poverty due to their uncertainty about the possibilities of risk might occur (Churchill 2006, Botero et al. 2006).

The need for financial protection among the low income and poor is crucial. There are many unfortunate people who become poorer and struggling with their life to cope with vulnerability (Anthony, E. J., 1987). Most of these people have to sell their assets, borrow money, withdraw children from school, young kids are forced to work to support the family, and hence, the poverty cycle continues from generation to the next generation (Dror, et al., 2007). Figure 2 shows the level of household who can afford to pay for medical expenses among the household head in Kelantan.

Figure 2. Level of Afford to Pay for Medical Expenses among Household Head (Gender and Regions)



Sources: Research Questions

Results from Figure 2 shows that most of the *zakat* recipients in Kelantan regardless of gender are not afford to pay for medical insurance in an urban and rural area. The female has a higher amount among those who are not afforded to pay for medical expenses in the urban and rural area. While most of the male-headed are afford to pay for medical expenses in both urban and rural area. This had proved several reasons. First, the payment for medical insurance is perceived as a burden and wasted investment by the poor. Low level of knowledge about the importance of medical insurance is the main factor for them to feel this payment is a burden and wasted investment; second most of the male-headed household have lower sick persons in their family compared to male-headed household; third, urban area has a greater advantage in getting medical allowance and subsidize compare to rural area which suggests most of the government hospital are

located in urban area, and forth, urban residents have a higher chances or probability in becoming sick due to environment, food, water and job description. Among the opinion that was given regarding these issues are:

“It just a waste for me to pay for medical insurance since my income is just sufficient for my family’s daily expenses.”

(Source: Interview conducted on November 17, 2014, at Kota Bharu, Kuala Krai, and Rantau Panjang. Female and Male).

Another opinion:

“Previously, I live with my husband in a rural area. Since he passed away and I require medical attention due to my health condition. I move to town to live with my children. I get so many medical benefits in this area, which most of them

are not available in a rural area.” (Source: Interview conducted on June 12, 2014, at Kota Bharu, Female)

Most urban households have a higher need for risk management options as they are the most vulnerable due to the combined effects of health and weather-related agriculture risks (Matul, 2005). The need for medical insurance is important to reduce the risk of basic healthcare costs, death of the main family breadwinner and to a certain extent, coverage of property loss (Swartz, K., 2005; Jacoby, Hanan G. et.al, 1998; Rose et.al, 1999; Morduch et.al, 1995). Medical insurance cover is crucial for people to insure themselves against the inability to work, set aside money for retirement or protect themselves against the loss of their assets (Gertler et al., 2009). However, less vulnerable people and salaried workers are more willing to buy insurance (Victoria, et al., 2003). The same opinion was also acquired during the interview:

“We manage to pay for insurance. But since my husband passed away, we could not afford to pay for insurance.” (Source: Interview conducted on November 17, 2014, at Kota Bharu, Female)

There also some opinions that says:

“My employer provides me with insurance during my working time. But now I had quit the job to nurture my disable children, and I did not have any insurance” (Source: Interview conducted on November 17, 21, 24 & 27, 2014 at Kota Bharu, Pasir Mas,

Gua Musang and Tumpat, Female)

There are many studies which show that capacities to pay might be one of the significant factors reducing demand for insurance (Matul, 2005). Loster and Reinhard (2010) argued that people on low incomes are perfectly willing to pay for a good product if the insurance product can satisfy three conditions: (1) be able to pay the premium, (2) be willing to purchase cover and (3) conclude a contract of insurance. They further stressed that poor people may only afford small premium installments and may not necessarily make a regular contribution.

“I have people with diabetes and always had to go to the hospital. If I afford to pay for insurance, I will pay for it. At least it can cover the medical expenses for my family.” (Source: Interview conducted on Jun 10, 21, Oct 5 & Nov 18, 2014, at Kota Bahru, Pasir Mas, Pasir Putih, Gua Musang and Kuala Krai, Male & Female)

According to Cohen and Sebstad (2006), it is very difficult for the poor to get above the poverty line when there is a minor shock. All these implications make life more difficult and stressful. Financial stresses associated with sick or death of a spouse, separation, and divorce create a high degree of vulnerability and financial stress for women (Ali, 2002; McIntyre et al., 2006). Poor households face difficulty in generating regular and substantial income and are extremely vulnerable to economic, political, and physical downturns (Brown & McCord, 2000).

“My husband died in 2009 due to an accident at his workplace. This left my children and me with economic shock because I did not work, and my child is still young. Luckily my husband is covered with insurance, which was paid by his employer, and our family received some compensation from the insurance company, which can reduce the burden of our family.” (Source: Interview conducted on Jun 10, Oct 10 & Nov 28, 2011, at Kota Bahru, Pasir Mas and Pasir Putih, Female)

One of the major reasons for economic vulnerability is the fact that the death of the head of the family may involve the loss of a major source of income (Fischer, S., 1973). At the death of the husband or father, the economic independence of the family is reduced or, sometimes, lost totally. What can be more pitiable condition than this that the wife and children are looking others more benevolent than the husband and father, in the absence of protection against such dependency on family's breadwinner. The medical insurance is here to assist them and provides adequate amount at the time of sufferings.

Food and Non-Food Insecurity among Pregnant and Nursing Mother

Food and non-food items insecurity among pregnant women is becoming an issue not only developing countries but also in the developed world. The current *zakat* distribution failed to cope the need for pregnant women, which occurs the food insecurity among them. Food

insecurity refers to the inability to afford enough food for an active, healthy life. There is an intimate relationship between food security and poverty (Ahmed, F., & Siwar, C., 2013). Food insecurity has many health consequences for women in low-income households. Decreased mental health status may put low-income women at risk for household food insecurity because of job instability and associated decreased income, which contribute to food insecurity, or through poor coping skills rendering low-income women unable to acquire enough nutrient-dense foods (Casey P, et al., 2004).

“One of my children is categorized as special children (disable). The doctor manages to detect this problem since my 2nd semester of pregnancy. The doctor asks me not to do hard work, have enough rest, and take additional medications and supplements which I cannot afford to buy. But since I am the only working person in my family (widow), I had to work until the end of my pregnancy. The hard work and lack of nutrition affected the child.” (Source: Interview conducted on May 2, 8, 11, 24, 29, July 26, 28, September 1, 5, 18 2014 at Kota Bahru, Pasir Mas, Pasir Putih, Gua Musang, Machang, Tumpat and Kuala Krai, Female)

There are three main reasons why predictors of food insecurity might be different. First, the nutrient demands of pregnant women differ from those of non-pregnant women, with suggested increased intakes of most vitamins and minerals, and additional nutrition on

average for a woman of normal weight (Jones SJ, 2007). To achieve optimal gestational weight gain, dietary requirements include nutrient-dense foods that are often more expensive (Olson CM, 2008). At a minimum, purchasing food to increase a woman's daily energy intake means the household faces more constraints in their food budget.

“My family did not afford to buy nutrient food (expensive) and supplement for my pregnancy because we had to spend more on my father in law's medical expenses (suffers kidney problem). I had a miscarriage in my first and second pregnancy.” (Source: Interview conducted on May 2, 3, 21, June 14 Oct 4, 2014, at Pasir Mas, Pasir Putih, and Kuala Krai, Female)

Second, a pregnant woman may have more difficulty putting forth the effort to make nutritious food purchases, especially later in pregnancy when she is less mobile (Harnisch, 2012). In response, someone other than the pregnant woman may make food purchases. If this person is less experienced in food shopping, this may lead to less nutritious purchases; if this person is also less experienced in food preparation, more expensive purchases (e.g., fast food) may be made. These two factors together may strain a household's food budget. The same opinion was also acquired during the interview:

“During the last semester of my wife's pregnancy, I had to spend more on food, which increases our family expenses. I had to buy outside food since she is not capable of doing a

house job (cook). Since I work until evening, buying outside food is the best options that I have. Now my constrain is to acquire additional income for my baby preparations.” (Source: Interview conducted on June 14, July 18 Oct 11, 18, 28, 2014 at Kota Bahru, Pasir Mas, Pasir Putih, Gua Musang, Machang, Tumpat and Kuala Krai, Male)

Third, a woman may exit the workforce during her pregnancy, decreasing the amount of money available for food. A sudden decrease may also present challenges to households that are not used to budgeting on a lower income (Bove CF, 2006; Chaput J-P, 2007). Although food stamps can help a family's financial situation, applying for and receiving food stamps is not an instantaneous process. The nutritional demands and the current psychological state during the major life event of pregnancy pose challenges for all women to eat well. Women from vulnerable households may face additional challenges if they are food insecure. Some opinions that were gathered during the interviews:

“I quit my job during the six months of my pregnancy. I quit my job since I had a miscarriage during my first pregnancy. Now my husband is the only breadwinner for the family. And now I see that he is doing more than one job a day.” (Source: Interview conducted on May 3, June 18 Sept 11, 18, Oct 18, 2014, at Gua Musang, Machang, Tumpat, and Kuala Krai, Female).

Another respondent brings out the same problem:

“I had an accident in 2009, and it affects the condition of my health. I cannot work, and my wife had become the breadwinner for the family. She worked as a gatekeeper for an estate and paid daily (Part-time worker). But now she is pregnant, and I am afraid she might lose her job.” (Source: Interview conducted on Sept 11, 2014, at Kuala Krai, Male).

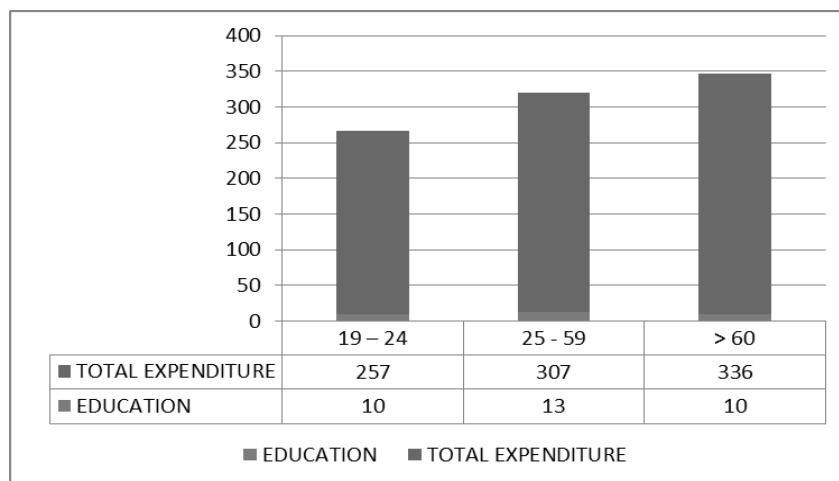
Education Allowances among Household Head

The first guidance given to mankind in the *Qur’an* was “*Iqra*” meaning to read, recite or proclaim. Allah S.W.T says in *Al-Qur’an* which means:

“Read! Recite! Proclaim! in the name of thy Lord and cherisher who created - created the human, out of a congealed clot of blood (a leach-like substance). Read, and thy Lord is Most Bountiful. He who taught (the use of) the Pen- taught man that which he knew not.” Al-‘Alaq (96: 1-5)

In Kelantan, the extremely poor household head spends very little on their education. The expenditure on education generally hovers around 1 percent of household budgets. The fraction does not change very much when we compare the poor to the extremely poor or rural areas to urban areas. Figure 3 shows the differences between the expenditure on household head family’s education and total expenditure of family.

Figure 3. Difference between Expenditure on Household Head Family’s Education and Total Expenditure of Family (MYR)



Sources: Research Questions

The result shows that the household head is still spent on education, although the amount is low.

This low level of expenditure on education is not because the household head is not interested in acquiring

knowledge. In this study sample, at least 80 percent of both Male and female household head aged 19 until 60 and above in extremely poor households are involved in acquiring knowledge. The reason education spending is low is that the household head in low-income families typically attends non-formal education institution or other schools that do not charge a fee. These amounts of expenditure are mostly on buying books (*kitab*), stationary, minimum fees (commitment fee) and eyeglasses. Although most of these items are not often purchased because of the long period of learning, there are also other items that are regularly purchased and needed in this education process, such as vehicle petrol. Thus, these items of expenditure will acquire an additional amount in family expenses which are not being covered in current *zakat* distribution.

“I am an old lady. Now the purpose of my life is to worship Allah s.w.t and study Islamic knowledge. That is why I chose to stay at the Pondok (non-formal Islamic Institution). The problem is, I have no income and only get assistant from zakat center. But the assistant is too low and only sufficient to cover for my food and non-food expenses (medical and education expenses).” (Source: Interview conducted on June 13, July 26 Oct 16, 2014, at Kota Bahru, Pasir Putih, Gua Musang, and Kuala Krai, Female).

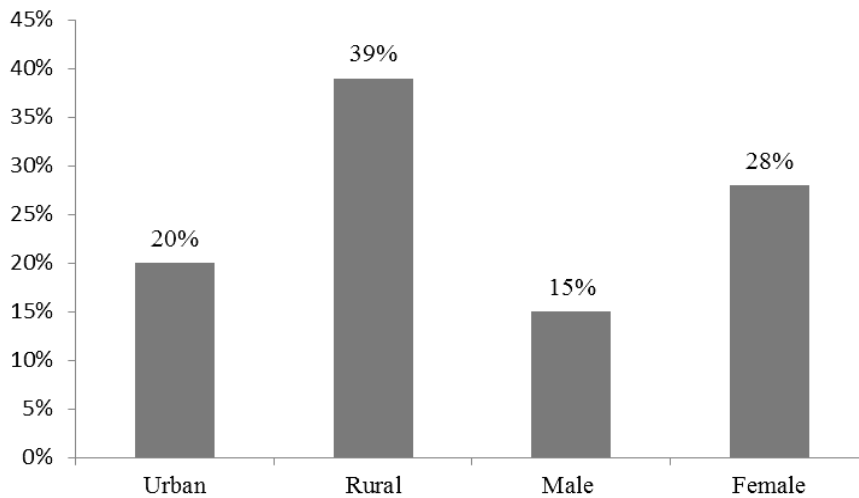
From an Islamic perspective, there is no fixed age before or after which the parents may or may not teach children the *Qur’an* or any other aspect

of Islamic knowledge. As such, a child may differ from another in his mental ability and intellectual capacity. Some children are seen to mature before others. At times, it is observed that a child is similar to another in age, but the difference in their understandings is huge. Therefore, Islam calls us to learn all kinds of beneficial knowledge.

Religious Saving – Hajj and Umrah

Islam has five pillars, and one of them is the *Hajj*, the pilgrimage to Mecca. Every Muslim who is capable physically, mentally and financially is required to perform the Hajj (Khaliq Ahmad et al., 2012). For that purpose, there are Muslims who sell off their assets in their eagerness to perform the obligation. Other Muslims would take a long time to save money to perform the Hajj. On the other extreme are the poor Muslims who are forced to save or borrow to perform the pilgrimage (Ishak, 2011). These situations have negative consequences on the already poor Muslims as indebtedness is further created, and poverty is aggravated. In Kelantan, the poor and needy are still saving a portion of their income for *Hajj* and *Umrah*. It shows that poverty is not a barrier for them to perform the Hajj and Umrah. From Figure 4, we can see that the rural has higher saving (39 percent) compare to urban residents (20 percent). While female household head has 13 percent more of saving compare (28 percent) of their income, compared to male household head gender (15 percent). The higher amount of percent among rural and female categories shows that they have less income, which makes a slight amount of saving will have a high percent.

Figure 4. Total Saving among the Poor and Needy (percent)

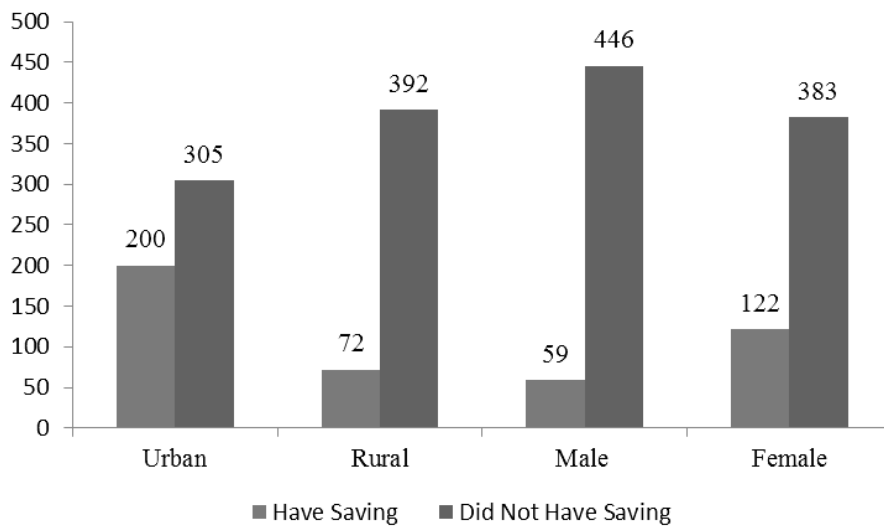


Source: Research Question

Analysis on the number of those who have savings and did not have any saving on Hajj and Umrah in Kelantan shows that the urban (200) and female (122) categories have a higher number of poor and needy with saving. While

about 78 percent of the poor and needy in the rural area and 88 percent of male household head gender did not have any savings on Hajj and Umrah. Figure 5 shows the number of several categories with and without savings in Kelantan.

Figure 5. Total Saving among the Poor and Needy (percent)



Source: Research Question

The existing of saving among the income of the poor and needy suggest that they are so determined to perform the fifth pillar of Islam which they manage to adjust a small portion of their low income on savings. Although the performing of Hajj and Umrah is not compulsory for them (poor and needy category), their fortitude on performing their pray in front of *Kaabah* has made them not seeing their poverty as an obstacle for them. The study by M. N. Zarina (2012) found that out of 133 respondents, one respondent has saved in Tabung Haji, a fund for performing hajj (pilgrimage) in Mecca. This has indicated that low-income households tend to save when it is a default option. Understandably, this option is scarce among these single mothers as they are outside the mainstream employment areas that provide monthly saving schemes such as Employee Provident Fund (EPF) or Social Security Organization (SOCSO) that automatically manage them to save in Tabung Haji (R. Prabhakar, 2007). Being outside wage jobs employment, these single mothers do not have access to many benefits available to government servants and industrial workers like disability benefits, free healthcare, and home/car loans. Many options are not available simply by not having a pay slip to prove their monthly income (M. N. Zarina et al., 2011).

“I had saved in Tabung Haji for about 13 years, but the saving still not sufficient for me to perform the Hajj. It is because I am only saving when I have a surplus in my income. Now I am 65 years old, and I am afraid that I cannot perform the Hajj before I die.” (Source: Interview conducted on Oct 16, Nov 22, Dis 16,

2014 at Kuala Krai, Tumpat, Pasir Putih, Bachok and Kota Bharu Female & Male).

The practices of Hajj require a lot of funds and saving. However, for the poor savings and asset accumulation have been proven to be an important and sustainable means to move the poor out of poverty and improve their economic wellbeing (M. Zhan, 2006). Thus this requires another source of saving fund which the *zakat* distribution can provide.

“Going to Mecca (perform Hajj) is my dream. But I cannot afford to save for Hajj because of my poverty. My income is only sufficient for my family’s daily use. If anything happens, I had to borrow money from my friend and relative. At this time, the main usage of my income is to my family’s expenses. But I hope that one day I can perform the Hajj. (Source: Interview conducted on June 13, 15, July 3, 5, 12, 26 Oct 4, 8, 16, 2014 at Kota Bahru, Pasir Putih, Gua Musang, and Kuala Krai, Male & Female).

The Islamic scholars have a different view as to whether Hajj is included *fisabilillah*⁶ categories or not. Most of the scholars are of the view that Hajj is not included in the *fisabilillah* categories on which zakat may be spent. Among them is *Ibn Muflih al-Hanbali* (1479) which he states that the Muslims do not benefit from one

⁶ “Alms are for the poor and the needy, and those employed to administer the (funds) for those whose hearts have been (recently) reconciled (to Truth) for those in bondage and in debt in the cause of Allah and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom.” [Al-Qur’an 9:60]

individual's Hajj and have no need for it; it is not obligatory in the case of the poor, for whom this duty is waived, and if a poor person still wants to do it, it is better to spend this amount of money on those who are in need or to spend it on helping the Muslims⁷. Imam Ahmad (241) has another view, which is that it is permissible to give zakat to someone who wants to do Hajj. Imam Ahmad quoted as evidence for that the report narrated by Abu Dawood (275) from *Umm Ma'qal*, who said:

“O Messenger of Allah, I need to go for Hajj and Abu Ma'qal has a young camel.” Abu Ma'qal said, *“She is telling the truth, and I shall donate it for the sake of Allah.”*

The Messenger of Allah (pbuh) said:

“Give it to her so that she may go for Hajj on it, for it is for the sake of Allah.”

Meanwhile, Ibn Taymiyah (1328) said:

*“Whoever has not done the obligatory Hajj and is poor should be given what he needs to do Hajj – i.e., from the zakat funds.”*⁸ Ibn Abbas *radiallahu anhuma* said, *“He (the slave) should be freed from the zakat of his (owners and others) wealth and given from it (Zakat) for Hajj.”*

Thus, based on the previous argument, we can say that given the zakat for Hajj is still a dispute (*Khilaf*) subject among the Muslims scholars

(*Ulama'*). Thus, it is up to the zakat state department to discuss whether it is relevant or not providing the zakat for Hajj.

CONCLUSION

This study was inspired by information from respondent about their additional needs that is absent in current zakat distribution. It is important that the zakat fund must be disbursed to maximize its benefits towards the recipients spiritually and economically. Lack of access to education aid, medical insurance, food, and non-food Insecurity among Pregnant and Nursing Mother and Religious Saving – Hajj, and Umrah are among the missing items in current zakat distribution. Zakat distribution needs to fulfill the need of its recipients. Islam specifies the eight heads of zakat recipients. It also provides the principles as to how collections should be disbursed. The zakat fund must be disbursed in such a way to maximize the benefits of the recipients spiritually and economically. The zakat recipients must have basic satisfied and to help them participate in economic activities. Zakat expenditure also must be aimed towards achieving economic equity, growth, and stability. Appropriate zakat disbursement must be able to influence the allocation of resources towards achieving the above objective. Hence some missing items in current zakat distribution need to be addressed immediately to make zakat more effective Islamic fiscal instruments.

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⁷ See *al-Mughni*, 9/328; *al-Majmoo'*, 6/212.

⁸ See Taimiyah, I. (1995). *al-Ikhtiyarat al-Fiqhiyah*. Beirut: Dar al-Ma'rifah.

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Developing and Proposing Zakat Management System: A Case of the Malakand District, Pakistan

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ABSTRACT

Zakat plays a vital role in the socio-economic development of a country. With zakat, the poor community is facilitated their food, safety, nutrition, sanitation, education, and other necessities. This study focuses on the role and current practice of zakat in the Malakand district of Khyber Pakhtunkhwa, Pakistan. This paper also develops and proposes a model for efficient management of zakat there. In doing so, this study interviews a sample of thirty respondents. A list of ten questions is constructed during the interviews using the local language, which is Urdu. The current practice of zakat in the region is explored, and further recommendation is captured for better practice of zakat management. For this, the study proposes an ideal model of the zakat management system, which can also be adopted by other countries. The discussion of this study is limited to the district of Khyber Pakhtunkhwa of Pakistan.

Keywords: Zakat, poverty alleviation, socio-economic development, ideal management, Pakistan

INTRODUCTION

Zakat is one of the main pillars of Islam, which is the 5th number of the Islamic principle, and it is compulsory by the Almighty Allah for Muslims. The institution of zakat is settled first by the Muslims community in the right way (Kaslam, 2009). Zakat is the main tool for poverty eradication by helping needy people (Lubis M., 2011). Zakat is from Arabic, which means to purify (Zayas, 2003). Zakat can be of two types. The first is Zakat Fitr, and the second is Zakat on wealth. Zakat Fitr is paid by Muslims every year after the holy month of Fasting. Meanwhile, Zakat of wealth is to be paid by Muslims who have met nishab. Such zakat is charged on business, savings, income, gold and silver, poultry, fruits, and grains (Lubis M., 2011).

The receiver of zakat is mentioned in the Holy Book of Quran in verses 60 of Surah Al Tawabah, which are; the needy, the poor, the Amil (who collects zakat), the Muallaf (who revert to Islam), Slave, person who have debts, person who are in the way of Allah, and the travelling people.

Zakat is distributed to the impoverished community for not only fulfilling their necessities but also for imparting their share in the community and economic development. In Malaysia, Sarif & Kamri (2009) studied the use of Zakat for the sparse population to enrich their capabilities, skills, and other activities. Such distribution has enabled them to be permanently independent financially (Sarif & Kamri, 2009).

The role of Zakat in the socio-economic development of a country is significant. A study proposed a model for zakat, waqf, and Islamic microfinance and their role in alleviating poverty in the society, which has resulted in the socioeconomic development of a country (Hassan & Ashraf, 2010). Zakat is one of the main tools for poverty alleviation as well as for inequality in the society, and maintain social justice and harmony in the community, which leads to the socioeconomic development of Pakistan (Farooq, 2008; Siddiqui, 2009).

Most of the scholars are of the view that the problems of poverty and socio-economic injustice is reflected in most of the Muslims countries because of the non-practicing of the true sense of Zakat, the policies, and strategies for achieving the essence of zakat in full spirit laid down by the Shariah and Islamic Principles (Barizah, Rahim, & Rahman, 2007).

This study elaborates and sees the way Zakat plays a role in socio-economic development in the Malakand District of Khyber Pakhtunkhwa, Pakistan. It is interesting to study the Malakand district as it is a rural area with a large number of poor people. Even such zakat institutions exist there, but their role is below satisfactory level. Moreover, the district also suffers from the War and terror situation occurred from 2007 to 2011. That had resulted and snatched the necessities of the local people. Briefly, that is the reason to select this district.

Objective of The Study

The study has the purpose of developing and proposing an idea model for management of Zakat.

LITERATURE REVIEW

The main objective of Zakat is to attain socio-economic development and alleviate poverty in society (Al Haq & Wahab, 2017; Hati & Aida, 2014). Zakat maintains to achieve the goals of social justice and reduce poverty through the enhancement of facilitates; like education, health, human development, and environmental aspects of society (Muliyaningsih, 2013). In Indonesia, the voluntary sector can enhance the facilities of zakat for achieving the community development goals in the shape of eradicating poverty, which results in the socio-economic development of the society (Alam, 2010).

Zakat can play its due role in the promotion and development of the economic and social well-being through better education, health, food, and nutrition facilities to the poor and needy individuals in the society. In Malaysia, zakat plays a vital role in the promotion and enhancement of educational facilities to the poor in the community. Also, zakat is not only distributed for the educational facilities, but also is aimed at the food and nutritional facilities to the individuals in Malaysia (Suprayitno, Aslam, & Harun, 2017).

In Pakistan, Zakat plays a vital role in the socioeconomic well-being, notably for widows, orphans, and disabled people. The amount of zakat given in monthly basis and grant for disabilities (Toor & Nasar, 2003).

A study was conducted in which investigated the Benazir income support program and zakat program in Pakistan. It is only on the implementation strategies of both the program in Pakistan. It is not a survey base or includes a proper analytical procedure and analyses of the respondent of the

mustahik (zakat recipient) or the others (Khan & Qutub, 2010).

A study was conducted in Peshawar to investigate the role of zakat and the problems faced by the local mustahik. It sampled eighty participants for interview sessions. The study found that the local mustahik has been facing issues in receiving the zakat. This shows the non-improvement of the socio-economic condition of the individuals of Peshawar. This study is problematic, however (Zeb & Zaman, 2014).

From the literature review above; there is a lack of a comprehensive study of the subject domain in the Malakand district, Pakistan. This is the first study which elaborates the role of Zakat in the development of the social well-being of the local population of Malakand district.

Malakand district is 120km away from the capital of the province, Peshawar. This district is vital due to its location. It connects the regions of Dir Lower, Dir Upper (formerly Dir States), with Peshawar and Chitral, and which leads to China; it also connects District Swat (formerly Swat State) to the Peshawar. Moreover, it consists of two Tehsils (Dargai and Batkhela). It has a total population of 720,295. In which 304,112 is the population of Dargai Tehsil and 416,183 of the Batkhela Tehsil of Malakand District of Khyber Pakhtunkhwa of Pakistan (Statistics, 2017).

RESEARCH METHODOLOGY

This section describes the population, data collection, and data analyses of the study. The population of this study is the Malakand District of Khyber Pakhtunkhwa, Pakistan. The interview is conducted to the individuals of Malakand Districts from the two tehsils.

For the interview; the male and female households are considered.

Inclusion Criteria

This study only focused on Malakand districts, Pakistan. Both male and female household that bears all the responsibilities of their families in terms of food, safety, health, and education are considered for the study

DATA ANALYSIS

The interviews conducted in both the tehsils of Malakand district of Khyber Pakhtunkhwa. A total of ten questions are asked to the individuals and are recorded digitally. The interviews in Urdu and translated into English for further analysis. Twenty-eight participants are selected. The list of questions is as of Table 1.

When question one is asked, the participants (n=15 male & 13 female) similarly respond;

“Zakat means the purity of wealth. It is a prescribed the amount of wealth, mandatory on Muslims to be given to the poor segment of society. Allah (Almighty) has defined eight heads in The Holy Book of Quran, whom zakat could be given”.

As above, it is clear that the local people are aware of zakat. Similarly, the second question is asked to the interviewees (n=17 male & 11 female). They answer;

“Of course, zakat plays a vital role in the upliftment of the poor in society and thus of the society as a whole. The oppressed and needy person gets the money by which they fulfill their needs in terms of

food, nutrition, safety, health, education facilities, and other necessities of life. Thus, the circulation of wealth comes from the rich and wealthy persons, and the poor enjoy the opportunity of a happy life by receiving the zakat”.

From the views of different male and female individual's in Malakand district, that zakat is a critical factor for the socio-economic development of a society in terms of providing various necessities of life, which enhanced their lifestyle and resulted in the shape of socio-economic development of the community.

Further, the answer to the question number third is as follows (n=19 male & 9 female);

“Current zakat system in the country is not satisfactory. The state and government have not given it a priority. It has organizational issues; there is no unified technique and procedures for its accumulation and distribution as required”.

From the views of the individuals of the region, they think that the current zakat system needs to be modified and the government and organizations have promoted it to the required level in which the poor segment of the society can be maximum benefited from the zakat in the region.

In the interview session in tehsils of Malakand district, the answer to the question fourth is in the following (n=12 male & 16 female):

“In my perception; zakat is the backbone of the Islamic financial system. If it's properly managed, it can

alleviate the poor segment of society from poverty. Moreover, circulation of wealth can be ensured, which is the sign of prosperity, and Islamic moral economy. A uniform class can be developed; peace and harmony can be attained if the gap between rich and poor is minimized”.

It is clear from the views of the individual's, that zakat is the primary tool of poverty eradication from the society by filling the gap of the flow of wealth from rich to poor in the community.

The opinion of the participants (n=10 male & 18 female) answering question fifth is as follows;

“Yes; the zakat is a suitable option for the socioeconomic development of a country by providing the wealth from the persons who has the nishab to the needy and poor community of the country, through which poor community can avail the basic needs and requirements for a better and prosperous life, which leads to socio-economic development of a country”

Similarly, the interviewees (n=21 male & 7 female) answering the question number sixth is;

“There is a lack of transparency in the distribution of zakat. Proper management and distribution to the eligible poor in all regions need reforms. Giving the amount of zakat to the relatives of the presiding officer must be checked”.

The statement mentioned that in the region of Malakand district, the receiver of zakat facing problems in the management of zakat distribution because they favor their known and ignored the poor community.

Further, when the question number seventh is asked from the participants (n=13 male and 15 female), their responses;

“The zakat amount can facilitate the individuals by receiving from the wealthy persons in their health and education facilities for their children. But in the case of Malakand district, the case may be not as much satisfactory level as required. The zakat management organization in the District, tehsil, and village council level must be expedited, and proper distribution of the right and poor community can be targeted and facilitated”.

In case of the dowry and marriage ceremony of the girls and female of Malakand, zakat role according to their answers (n=14 male & 14 female), as asked within question eighth as follows;

“Zakat can also facilitate the marriage expenses and the dowry of the poor girls and female of the society, but in case of Malakand district, the amount of zakat is not sufficient to fulfill their requirement because of the little amount received by them. The provincial government and department of awqaf required to provide the funds of zakat to the district level according to their population, which can be

helpful for the proper distribution and fulfillment of their requirements”.

The answer to question number ninth is as follows (n=17 male & 11 female);

“The zakat can prosper the poor community of the society by receiving the zakat amount, which they can use for their basic requirements of life, includes food, safety & housing, education, health, and similarly for the marriage expenses of their children, which resulting in the lifestyle improvements.”

It is the view of individuals that the zakat improves and changes the lifestyle of the poor segment of the society if it adequately managed and distributed.

The replies of question number ten from the respondents (n=16 male & 12 female) as follows;

“The current zakat system has a small impact. The state and government must supervise it. Collection of zakat and awareness among the citizens is required. Moreover, those who are not paying zakat must be dealt with the government”.

DEVELOPING AND PROPOSING MODEL OF ZAKAT MANAGEMENT IN THE MALAKAND DISTRICT

The following as of figure 1 is our developed and proposed model of the efficient zakat utilization, distribution, and management from the village council to the provincial level in the country which then leads to the federal level zakat department for the zakat funds to the concerned provinces. In the model, we proposed that a

committee will form at the village level, which collects the data and record of the poor individuals, the committee share this collected data to the tehsil level, which all the village's data and record will be collected, and the tehsil level data will share to the district level of zakat office.

All the district level of data will then share to the provincial zakat and Awqaf department. The provinces then share all these data and records to the federal level department of Zakat and Awqaf. Similarly, the federal department of zakat and awqaf will correctly estimate and analyzed these data and records of the unfortunate individual's and transfer the funds and amount of zakat according to the population of Mustahqeen of zakat. This results in the socioeconomic development of the country as a whole and especially the concerned community and regions of the country.

CONCLUSION

The zakat is one of the essential factors of Islamic Shariah and imposed by the Allah Almighty on every wealthy Muslims who have the nishab to provide it to the poor community of a society. The zakat is playing a vital role in uplifting the poor segment in most of the developed and developing countries across the globe. This results in the socioeconomic development of society in their respective countries.

In Pakistan, the case is not different from the rest of the developing countries. Zakat can enhance the needs and requirements of the poor community of the society. It not only fulfilled their needs but also developed their socioeconomic status. Zakat can improve the lifestyle of the impoverished population of Malakand district by providing the zakat amount, in which they avail the basic needs of

food, shelter, health, and education facilities. Moreover, the other requirements of life, such as marriage expenses and dowry for their children. The current practice of zakat distribution and management in Malakand district is good, but it needs further improvement. The district zakat office provides zakat funds to the poor community of the region. This can help out them from poverty and enhance their lifestyle by approaching their necessities of life.

RECOMMENDATIONS

The zakat committee is formed in a village council-level and is led by a chairman. We suggest that the local zakat committee shall appoint the members of the village, including the Pesh Imam (person who chairs the mosque of the local village). This is because such a person can efficiently and effectively manage the zakat system in the village council level given he is knowledgeable of Islam.

Moreover, the local committee must collect complete data about the poor population, including, orphans, widows, and others, who have not the ability to fulfill their basic requirements of life. The committee shall identify and analyze the individuals, whether the respective individuals have fulfilled the conditions of Mustahik or not. This is done for good governance practice in the local zakat management.

FUTURE RESEARCH

This study is an interview-based analysis of the individuals of the two tehsils of Malakand district of KP, Pakistan. Suggestions for future research on the subject domain is a questionnaire, and semi-structured interview both the methods will use for a comprehensive and broad data for

analyses in the subject domain. Moreover, future research can include all the stakeholders of zakat such, Mustahik, Muzakki, and the employers who are working in the zakat collections, distributions, and management.

Table 1. The List of Questions

No.	Statement	Respondents	
		Male	Female
Q1	What do you know about Zakat?	15	13
Q2	Do you think Zakat plays a role in the social welfare of individuals in society?	17	11
Q3	Do you think the current Zakat system in the country has fulfilled the needs and requirements of the poor in society?	19	9
Q4	What is your perception about Zakat in the current scenario in your tehsil?	12	16
Q5	Do you think that Zakat is a suitable option for the socio-economic development of a country?	10	18
Q6	What are the issues in the current Zakat system in your region?	21	7
Q7	Is Zakat playing their role in the health and education enhancement of the individual's in your region?	13	15
Q8	Is Zakat playing a role in the endowment of the girls and female in your regions?	14	14
Q9	Has Zakat enhanced the lifestyle of individual's in your region?	17	11
Q10	What are your suggestions for the improvement of the current Zakat system in your region?	16	12

Source: prepared by authors.

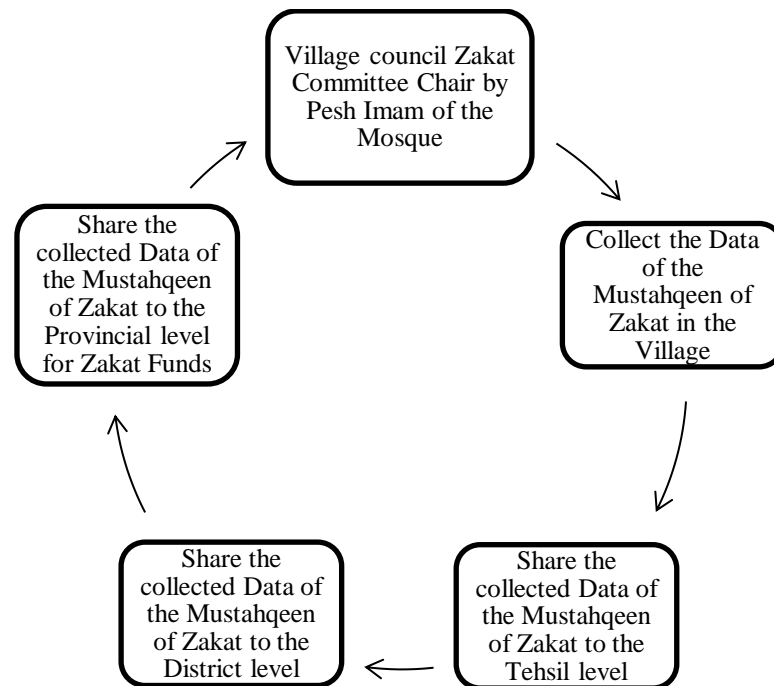


Figure 1. Model of Zakat Management system developed by Authors.

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Studying Mustahik Requirements Based on Had Kifayah Benchmark: A Case from East Nusa Tenggara (NTT)

Kamilah Kinanti

The National Library of Indonesia

ABSTRACT

As an effort to optimize the transparent and measurable zakat management, BAZNAS Center of Strategic Studies has been developing several instruments, including the Had Kifayah measure. The measurement is the standard limit of basic needs of a Muslim, which is helpful to consider the requirements of zakat recipients. By employing Had Kifayah, this paper performs a case study from Nusa Tenggara Timur (NTT) Province in 2018 and finds that NTT had the highest cost of living of IDR3,363,105.00 per family (monthly). This paper covers the preliminary study verifying the categorization pyramid as in Had Kifayah standard to investigate the changes of a mustahik income and expenditure before and after the productive zakat program of BAZNAS. The results show that the program conducted by BAZNAS-NTT from 2016 to 2017 is found to be in the fourth priority on the Had Kifayah pyramid.

Keyword: Had Kifayah, priority pyramid of Had Kifayah, Mustahik of Productive Zakat Program, Nusa Tenggara Timur (NTT)

INTRODUCTION

In exploring the issue of poverty and welfare, the measurement instrument is necessary. The device is useful for measuring and considering recommendations that are appropriate to the items being explored. In Indonesia, there are many concepts developed by government agencies to determine the level of welfare or poverty in society. One example that is often used to sufficiently capture the Muslim living needs standard is Had Kifayah yardstick as developed by BAZNAS Center of Strategic Studies (Puskas BAZNAS).

Had Kifayah can best understand as the limit of basic standards needs of a person or family with the adequacy of existing dependents as an effort to determine the eligibility of zakat recipients of poor people according to local socio-

economic conditions (Puskas BAZNAS, 2018). The existence of Had Kifayah is beneficial to describe the subject matters. The amount of Had Kifayah varies in each province since the price of goods and services are different.

The result of Had Kifayah study conducted in 2018 found that NTT was the highest Had Kifayah number with IDR3,363,105 (USD232,11) per family or IDR862,335 (USD59,51) per capita per month. Moreover, the 2017 Zakat Impact Assessment conducted by Puskas BAZNAS, also found that NTT performed the highest score of 0.85 (very good), indicating that the distribution of zakat by the respective BAZNAS has been contributing to a positive impact towards *Mustahik* (zakat recipient) (Puskas BAZNAS, 2017).

As elaborated above, the proper implementation of the productive zakat

distribution program by the BAZNAS of NTT in 2017, with regard to reaching the right *Mustahik* based on Had Kifayah standard demands further a scientific discussion. For this purpose, we address the following question: has the productive zakat program of BAZNAS NTT targeted the ideal *Mustahik* based on Had Kifayah measure?

LITERATURE REVIEW

The Concept of Had Kifayah

Had Kifayah is an Arabic word, which means enough, sufficient for something important or adequate for life. Thus one does not need the help of others (Puskas BAZNAS, 2018). Aside from the tendency to make a standard of living against what has been issued by the national government, the Had Kifayah establishment was driven to best capture the living standards of Muslim.

In 2017, the figure of Indonesia's poverty rate (GK) was IDR379,756 (USD26,21) per capita. In 2018, the Indonesia GK figure rose to IDR404,362 (USD27,91) per capita. In 2017, the amount of GK's NTT Province was IDR367,953 (USD25,39) per capita, in 2018, it was rose to IDR379,817 (USD26,21) (BPS, 2019). Subsequently, the domestic standard living measure (KHL) in Indonesia in 2015 was IDR1,813,396 (USD125,15), and that of NTT's KHL was IDR1,652,137 (USD114,02) (BPS, 2015). While, Had Kifayah number of Indonesia in 2018 is IDR772,088 (USD53,29) per capita or IDR3,011,142 (USD207,82) per household (Puskas BAZNAS, 2018).

Elaborated the three standards above, best help us to understand that GK defines the lowest amount from KHL. KHL represents a quite high number as it sets a decent living need.

Had Kifayah itself places medium define between GK and KHL with the more acceptable amount.

The significant differences also can be seen in the dimensional component of this standard. Puskas BAZNAS employed 7 dimensions as basic needs, which are food, clothing, residency, worship, education, health, and transportation. The consideration is based on the kind of kifayah which can be in the form of basic needs (Had Kafaf) that are suitable for normal life such as education, health and transportation, and other urgent needs (Had Fawqa Kafaf).

In terms of its constituent dimensions, Had Kifayah is quite different from the two other concepts of poverty or welfare measurement issued by the Indonesian government. In the context of zakat, there are some fundamental aspects which are also not covered by GK or KHL. For example; worship needs are not measured within those two standards. In Islam, worship is obligatory. Hence, it is rational to say that Had Kifayah benchmark is more ideal for measuring the extent to which the zakat funds distributed has impacted the *Mustahik*.

Had Kifayah is also useful both in looking at the position of a Muslim from the standpoint of either one being a *Mustahik* or *Muzaki*. And the substantive category of prosperity. These indicators have yet to be accommodated by the pre-existing standard of living. In Had Kifayah yardstick of Puskas BAZNAS, there is a pyramid as an indicator which best suggests appropriate programs for *Mustahik*. Figure 1 depicts the Had Kifayah priority pyramid. The grey area indicates the proper plan of consumptive zakat distribution. This is because the income in the range still struggles to fulfill the basic needs.

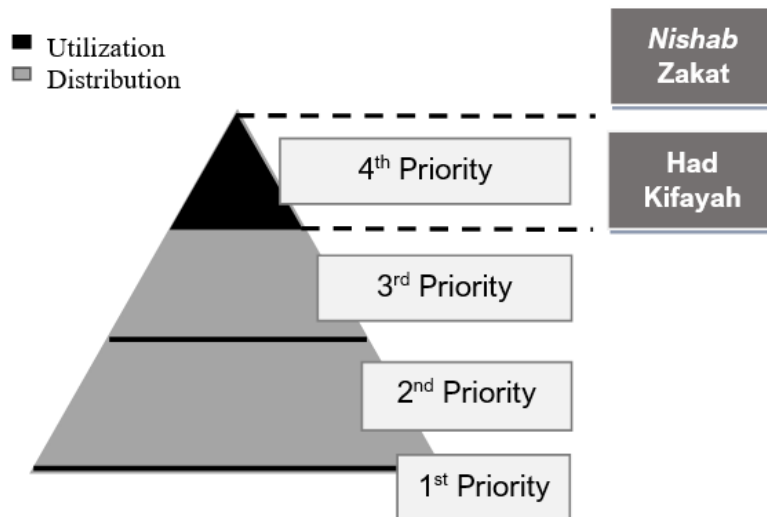
Meanwhile, those whose income is in the range between Had Kifayah and Nishab Zakat (black area) are considered to be able to fulfill their basic needs, but economically they are still vulnerable to the lower level. For this, the right program is productive zakat. The formula of Had Kifayah as from Puskas BAZNAS is as follows:

$$HK = \sum_{i=1}^7 X_i$$

Note:

- HK: Had Kifayah*
- X₁: Had Kifayah of Food*
- X₂: Had Kifayah of Clothing*
- X₃: Had Kifayah of Residency*
- X₄: Had Kifayah of Worship*
- X₅: Had Kifayah of Education*
- X₆: Had Kifayah of Health*
- X₇: Had Kifayah of Transportation*

Figure 1. Had Kifayah Priority Pyramid



- 1st Priority : < IDR1,003,714 (USD69,27)
- 2nd Priority : IDR1,003,714 – IDR2,007,428 (USD69,27 –USD138,54)
- 3rd Priority : IDR2,007,428 – IDR3,011,142 (USD138,54 –USD207,82)
- 4th Priority : IDR3,011,142 – IDR4,159,999 (USD207,82 –USD287,11)

Source: Puskas BAZNAS (2018)

The Economy of Nusa Tenggara Timur

Based on the Central Bureau of Statistics of NTT, the total population in 2016 was 5,203,514 people. The entire workforce was 2,353,648 people with a percentage of 97 percent working and 3 percent unemployed (Sakernas BPS, 2016). The largest employment sector in NTT is by agriculture, forestry,

plantation, and fisheries with the number of 1,214,060 workers.

In education, the total population with a high school education level is 52.87 percent, and elementary school education is 95.24 percent. While the residents who do not have a diploma is 33.30 percent, with illiteracy rates of 7.40 percent. Until 2016, the number of schools in NTT was 7,630 units including 5,171 Elementary

School, 1,667 Junior High School, and 792 Senior High School.

Despite a decline from the previous year, the poverty rate in NTT until 2016 is quite high at 22.19%. BAZNAS of NTT runs the program to reduce poverty in NTT through the distribution of consumptive and productive zakat programs.

Zakat Impact Measurement in 2017

For productive zakat programs, BAZNAS has set 5 main dimensions, which are economics, education, health, social, and *da'wah*. BAZNAS in all provinces adopted these dimensions with a different program according to the needs of each region. Table 1 explains the example of productive zakat program of BAZNAS NTT.

BAZNAS developed Zakat Impact Measurement to analyze the performance of *Zakat* program. This

study uses an index called the Puskas Welfare Index (IKP), which is used to measure the impact of zakat utilization. IKP is an index consists of 3 variables, namely the CIBEST Welfare Index, which measures material and spiritual welfare, the HDI Modification Index, which measures the impact of zakat on the education and health sectors, and the Independence Index, which measures the sustainability of post-program *Mustahik* (Puskas BAZNAS, 2017). The range of IKP score is as of table 2.

Zakat Impact Assessment has been started since 2016. In the recent report of 2017, which such an assessment was carried out in 28 provinces, there were five provinces which scored 0.85 (very good), included NTT. This result means that the distribution of zakat by the respective BAZNAS have a positive impact on *Mustahik*.

Table 1. Productive distribution planning program of BAZNAS NTT Province year 2019

No	Program	Details	Percentage (%)
1	Economic	Zakat Community Development (ZCD) Program ZCD 1 Program ZCD 2 Economic Empowerment Program Business capital program Business training program Mustahik cooperative	44.2%
2	Education	Educational Scholarship Program Primary school scholarship Secondary school scholarship High school scholarship Collage school scholarship Undergraduate scholarship Education Service Program Education loan aid Tuition support Mustahik learning guidance Character development	11.9%
3	Health	Health Service Program Debt relief treatment	3.3%

No	Program	Details	Percentage (%)
		Medical expenses assistance Ambulance operations Ambulance procurement Mustahik integrated health post BAZNAS Healthy House BAZNAS healthy home construction BAZNAS healthy home operations	
4	Da'wah-Advocacy	Da'wah Service Program Zakat fitrah package (Ied Fitr) Ramadan iftar package Sacrifice (qurban) package Clean and healthy living behavior support Compensation for converts (mualaf) Da'i family benefits from disadvantaged, outermost, and remote areas Da'i prosperous compensation Islamic development class Da'i development class Marriage fees support Circumcision fee assistance Mustahik advocacy Islamic community organizations assistance	31.5%
5	Humanity	Humanitarian Services Program Fakir compensation House lease loans assistance Home renovation assistance Ibnu Sabil support Compensation for death Disaster assistance	9.1%

Source: BAZNAS (2019)

Table 2. Puskas Welfare Index (IKP)
Range of Scores

Range of Scores	Categorization
0,00-0,20	Not good
0,21-0,40	Less good
0,41-0,60	Quite good
0,61-0,80	Good
0,81-1,00	Very good

Source: Puskas BAZNAS (2017).

RESEARCH METHODS

We engaged qualitative method of descriptive analysis, which Creswell (2018) explained it to exploring and understanding the meaning of individuals or groups derived from human social problems. The investigation was built inductively from a particular theme to the public. The descriptive analysis used to describe a phenomenon existence using regular review, prioritizing objectivity, carried out carefully, no treatment given or

controlled, and no test h (Furchan, 2004).

The data was from the Zakat Impact Measurement on the amount of *Mustahik* income per household in 2017 in NTT as well as the data from the Had Kifayah study regarding the case in NTT. The number of the respondent during Zakat Impact Assessment of 2017 in NTT was 100 respondents, which were from Kupang Regency and Kupang City. We used *Mustahik* data profile from Zakat Impact Measurement questionnaire, then verifying the average income of the *Mustahik* zakat productive program with Had Kifayah measurement.

RESULTS

With the Had Kifayah standard, we verified the zakat utilization program by BAZNAS-NTT from 2016 to 2017. In 2017, NTT obtained IKP of 0.85 (very good). Score 1 on the Cibest Welfare Index, 0.75 on the HDI Modification Index, and 0.75 on the Independence Index. This means that the distribution of zakat carried out by BAZNAS in NTT provided positive results for the assisted *Mustahik*. Table 3 shows the results.

The average income of productive program *Mustahik* before the

program was IDR3,299,956 (USD227,75) /month/household. The majority jobs are small traders/stalls at home (41.86%), traders (17.25%), farmers (17.25%), employees (17.25%), and laborers (17.25%). The average amount of productive assistance received per household was IDR1,025,000 (USD70,74). Based on 100 respondents, 14 respondents received productive as well as consumptive assistance with an average consumptive assistance of IDR1,098,929 (USD75,84) per household. Meanwhile, the average income of respondents after receiving zakat program is IDR5,197,766 (USD358,73) or increased by IDR1,908,810 (USD131,74). In terms of expenditure, the average expenditure per household of the respondents is as table 4.

The most significant expenditure is food consumption, which is IDR893,500 (USD61,67) or 30% of the total spending. From many expenditure points as of table 4, there are some expenditure variables which are not classified as emergency needs, namely communication, cigarettes, entertainment, cosmetics, celebration donations, and debt/installments/credit.

Table 3. Zakat Impact Assessment year 2017 in Nusa Tenggara Timur Province

No	Description	Number of Household Recipients	Amount
1	Average income before assisted	100	IDR3,288,956 (USD226,99)
2	Average consumptive assistance	14	IDR1,098,929 (USD75,84)
3	Average productive assistance	100	IDR1,025,000 (USD70,74)
4	Average income after assisted	100	IDR5,197,766 (USD358,73)

Source: BAZNAS (2017).

Table 4. Expenditure composition of Zakat Impact Assessment

<i>No</i>	<i>Description</i>	<i>Amount</i>	
1	Residential rental	IDR258,000 (USD17,81)	
2	Electricity & water costs	IDR260,100 (USD17,95)	
3	Food costs	IDR893,500 (USD61,67)	
4	School fees	Monthly fees	IDR512,500 (USD35,37)
		Pocket money	IDR236,020 (USD16,29)
5	Transportation costs	IDR185,200 (USD12,78)	
6	Communication costs	IDR171,570 (USD11,84)	
7	Health	Drugs	IDR39665 (USD2,74)
		Medical consultation	IDR4,000 (USD0,28)
8	Clothes	IDR43,500 (USD3,00)	
9	Cosmetics	IDR35,000 (USD2,42)	
10	Cigarettes	IDR51,250 (USD3,54)	
11	Celebration donations	IDR59,100 (USD4,08)	
12	Entertainment; Night market etc.	IDR12000 (USD0,83)	
13	Debt / installments / credit	IDR169,510 (USD11,70)	
Total Monthly Household Expenditures		IDR2,930,915 (USD202,28)	

Source: BAZNAS (2017).

Accuracy of the Program based on the Priority Scale of Had Kifayah

The study of Had Kifayah 2018 disclosed that the cost of living in NTT was in the first place, which means that the cost of living in this province is the most expensive among the 33 other provinces in Indonesia. The size of Had Kifayah in the food dimension in NTT was IDR2,124,287 (USD146,61). For clothing was IDR56,431 (USD 3,89) for adult male, IDR42,563 (USD2,94) for adult female, and IDR28,960 (USD2,00) for children. In the dimensions of residence and household facilities, the constituent components consist of residential, water, electricity, and gas, the total number of Had Kifayah was IDR637,076 (USD43,97).

In the dimension of worship, the Had Kifayah figure was IDR18,875 (USD1,30) for an adult male, IDR15,000 (USD1,04) for an adult

female, and IDR16,938 (USD1,17) for children. The Had Kifayah on the education dimension was IDR104,167 (USD7,19) for Elementary School, IDR145,833 (USD10,06) for Junior High School, IDR200,000 (USD13,80) for Senior High School, and IDR183,333 (USD12,65) for Islamic Senior High School. Health dimension of Had Kifayah was IDR19,225 (USD1,33) for health insurance, and the assistance was IDR300,000 (USD20,70) for severe conditional disability. Transportation dimension of Had Kifayah scale were IDR41,002 (USD2,83) for gasoline, IDR11,834 (USD0,82) for land transportation, and IDR478 (USD0,033) for sea transportation.

By assuming the average number of Indonesian family members that is four people (BPS, 2017), which includes one father, one mother, one junior high school age child, and one

elementary school age child, then the NTT Had Kifayah numbers are as follows:

$$\begin{aligned}
 HK &= X_1 + X_2 + X_3 + X_4 + X_5 \\
 &\quad + X_6 + X_7 \\
 &= 2124287 + 156914 + \\
 &\quad 637076 + 67751 + \\
 &\quad 250000 + 19225 + \\
 &\quad 53314 \\
 &= 3308567 \text{ (IDR)}
 \end{aligned}$$

Further, referring to the 2017 Impact Assessment data, a comparison could be made between the amount of Had Kifayah figures and the *Mustahik* income of the productive program of the NTT BAZNAS as follows:

Table 5. Mustahik income of the productive program of the NTT Province BAZNAS

Explanation	Quantity
<i>Number of Respondent (household unit)</i>	100
<i>The average number of mustahik family members</i>	4
<i>Average income before receiving zakat assistance</i>	IDR3,288,956 (USD226,99)
<i>Average income after receiving zakat assistance</i>	IDR5,197,766 (USD358,73)
<i>Standard Had Kifayah per household in NTT Province</i>	IDR3,363,105 (USD232,11)

Source: Prepared by authors.

The average income of BAZNAS of NTT *Mustahik* before the implementation of the productive zakat program was IDR3,288,956 (USD226,99) per month, which was below the standard of Had Kifayah of NTT. The difference between the respondents' income and the Had Kifayah standard was IDR74,149 (USD5,12). Following productive zakat assistance, the average income of the

respondents was IDR5,197,766 (USD358,73), increased by IDR1,908,810 (USD131,74).

From the data above, it can be seen that the average income of respondents before the program was below the standard of NTT Had Kifayah; that is IDR3,363,105 (USD232,11), with a difference of IDR74,149 (USD5,12). It glance means they include in third priority, which is distribution assistance, or zakat program for consumption. However, based on the numerical unit of priority pyramid, the productive program of BAZNAS in NTT was included in the fourth priority with an income range of IDR3,011,142 – IDR4,159,999 (USD207,82 – USD287,11). So that, it also can fit to become a recipient of utilization assistance by using this numerical justification of Had Kifayah yardstick.

In all, the accuracy of the program of BAZNAS-NTT is reasonable. This is due to the indication of the high score of the Puskas Welfare Index was 0.85, and the increase of respondents' income was IDR1,908,810 (USD131,74).

CONCLUSION

After comparing several profile data of *Mustahik* above, it can be concluded the categorization of the Had Kifayah priority pyramid is generally quite good in verifying the economic condition of the prospective recipients of zakat assistance. The average income of mustahik was in the third priority; *Mustahik* should be assisted with the consumptive zakat program. However, by looking at the numerical evidence within the Had Kifayah measurement, the *Mustahik* of zakat productive program of the BAZNAS NTT was in the fourth priority; which *Mustahik* should be covered by productive zakat program.

By the slight difference between Had Kifayah in NTT Province and the categorization of Had Kifayah priority pyramid, we recommend further study of Had Kifayah priority pyramid component to elevate the accuracy of this standard in the future.

Aside from the categorization, the selection of NTT BAZNAS beneficiaries on productive program scored well; this can be concluded since the amount of income of *Mustahik* is nearly match with the productive program priority on Had Kifayah priority pyramid. The accuracy of the program implementation is reflective within in the results of the 2017 Zakat Impact Assessment which obtained the Puskas Welfare Index score of 0.85 - very good, and the increase of respondents' income is IDR1,908,810 (USD131,74).

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Proposing a Zakat Empowerment Program Using IDZ: Case from Cemplang Village, Bogor, Indonesia

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ABSTRACT

Zakat has enormous potential for the development of a nation. Recently, The Ministry of Village, Development of Disadvantaged Areas and Transmigration targets to eradicate 5000 poor villages. However, the current number of underdeveloped villages is still high. For this, the empowerment program of BAZNAS can integrate with the local government to participate in the development of backward regions. Zakat Community Development is one of BAZNAS subsidiary aiming at community development. This study engages the index of zakat village (IDZ) to investigate the feasibility of Cemplang village in getting assisted by BAZNAS empowerment programs. This study finds that the Village is considered to get supported by zakat funds.

Keywords: zakat, community development, empowerment, IDZ

INTRODUCTION

The term zakat is from an Arabic word, which means increasing or growing. In Islam, zakat is an obligation that is ruled by Allah *Subhanahuwata'ala* charged to specific assets. While in language, it refers to as clean and good. According to Islamic Jurisprudence, zakat refers to the part of wealth determined by Allah to distribute to the underprivileged. According to Ibn Taimiyah; the wealth of zakat payer would be cleaner. As for its recipients, zakat will grow their wealth and cleanse their souls.

Further, Zakat is projected to reduce the poverty rate. In the Indonesian context, poverty is indeed still a big problem that demands a comprehensive solution. The Central Statistics Agency (BPS) informed the sparse population as of September 2018 was still very high at 25.674 million people or 9.66 percent of the total population of Indonesia. Considering this, it is interesting to study how zakat

solves the challenge of poverty alleviation in Indonesia.

Poverty in Indonesia

Poverty rate based on islands in Indonesia as of September 2017 covered highest the Eastern Indonesia of Maluku and Papua with 21.23 percent (BPS, 2018). There were no significant changes in poverty levels in other regions, such as Sumatra with 10.44 percent, Java 9.38 percent, Sulawesi 10.93 percent, Bali and Nusa Tenggara 14.17 percent respectively, and Kalimantan with 6.18 percent.

The percentage of poor people in rural areas is always higher than that of urban areas. This makes the focus of development agencies, both government and non-government, need to give special attention to the countryside to reduce the level of poverty by taking into account the characteristics of the rural poor. Based on Presidential Regulation No. 131 of 2015 concerning

determination of Disadvantaged Regions in 2015-2019, the government has designated 122 disadvantaged areas spread throughout Indonesia. The designation of this area is based on criteria, Indicators, and sub-Indicators of regional lagging.

In line with the Presidential Regulation, the Ministry of Village, Development of Disadvantaged Areas and Transmigration targets to eradicate 5000 poor villages as stipulated in the 2015 - 2019 National Medium-Term Development Plan. The results of 2018 Village Potential Data released by BPS note that the number of underdeveloped communities has decreased by 6,518 villages from that of 19,750 in 2014 to 13,232 in 2018. Meanwhile, developing village has increased by 3,853 from that of 51,026 in 2014 to the number of 54,879 in 2018. Even so, the number of underdeveloped villages is still high, reaching 13,232 villages or 16.07 percent of total communities in Indonesia.

BAZNAS have been conducting the empowerment programs, which has reduced the number of poverty rate in the rural area of Indonesia. Of the program has been initiated by BAZNAS' Zakat Community Development including the productive zakat aims at providing capital for poor people to perform Small and Medium Enterprises (SMEs), such as farming, gardening, trading, and others. With so, it is expected that the welfare of the mustahik community will increase on all sides, both material, spiritual, education, and health.

Puskas BAZNAS method

BAZNAS Center of Strategic Studies (Puskas) developed an instrument to asses the feasibility of a village and community to receive zakat. The initial assessment is critical so that Baznas can

know the number and population of mustahik in a town. Knowing so is expected that the empowerment program designed can be in line with the needs and capabilities of the recipient community for best result.

Based on Law No. 23 of 2011 states that BAZNAS is given the authority to manage and coordinate all zakat institutions, including LAZ in Indonesia. At present, BAZNAS has 33 representatives in all provinces in Indonesia. With this, BAZNAS has been the frontline to contribute to national development, especially in poverty alleviation.

Discussed the above, this study investigates village feasibility along with the order of priority dimensions that need to be assisted by BAZNAS through zakat empowerment programs in Cemplang, a village in Bogor, West Java, Indonesia.

LITERATURE REVIEW

Empowerment and Zakat

UNDP (United Nations Development Program, 2008) defines empowerment as a process that allows individuals or groups to change the balance of power in social, economic, and political terms in a community or community. Empowerment can refer to many activities, including increasing the awareness of the existence of social forces that pressure others and also on actions to change the pattern of power in society.

Meanwhile, Zakat according to the concept of Islam, is the foundation and pillar of the economy of a country. As the main purpose of zakat distribution, namely to improve the welfare of recipients of zakat (mustahik) or the poor. In the short term, mustahik primary needs can be fulfilled through zakat, while in the long

run, their economic resilience will increase while stimulating economic growth. Even in many cases, it shows that many mustahik can empower and free themselves from poverty.

The benefits of zakat from community welfare development have a very noble goal, which is to raise the spirit of mutual help between each other where this will increase social solidarity among the community (Hafidhuddin and Juwaini, 2006).

Index of Zakat Village (IDZ)

The IDZ is used to measure the condition of a village for a feasibility investigation in zakat distribution. The IDZ is also used to monitor and evaluate the process of zakat distribution program in a village that the IDZ can be used by zakat management organizations to see the progress of their programs. So, the result of an assessment using the IDZ is beneficial for zakat management organizations to perform a village or community-based empowerment program. The IDZ was developed using Mixed Methods research performed by Puskas BAZNAS.

Previous Study

Studies have shown a positive impact on the utilization of zakat to develop disadvantaged communities. The study, among others, was conducted by Aan (2015), Yoghi (2015), Siti and Irsyad (2014), Rusli et al. (2013), Abdul (2012) and many other studies.

Research which has discussed the role of zakat in poverty alleviation including done by Yoghi (2015), who conducted a study on the effect of productive zakat on the empowerment of the poor with poverty index using qualitative descriptive approach. The study indicated that the Headcount

Ratio decreases from 0.8 to 0.5. The poverty depth index also decreases where the poverty gap decreases from Rp. 547,843 to Rp. 210,020. The Sen index value also decreases from 0.50 to 0.24. So that overall, the study assessed that the productive zakat program by BAZNAS had been given a significant impact.

Other studies were done by Siti and Irsyad (2014), who analyzed the effect of productive zakat by BAZNAS Sumatra, on Mustahiq in Medan, Indonesia. The study indicated that productive zakat fund had been channeled in the form of loans without interest or revolving funds for small businesses. The results also suggested the differences in mustahik income before and after receiving assistance.

Similarly, Rusli, Abubakar, and Hamzah (2013) added an analysis of the impact of giving capital using productive zakat funds. The results indicated that the provision of productive zakat capital in the form of venture capital has a positive effect and could reduce the poverty rate in North Aceh, Indonesia, by 0.02%. Further, Abdul (2012) found an efficient economic empowerment model to be channeled to mustahik is through the form of capital for business development with the kind of micro-enterprises. The research also recommended the local administration to synergize poverty reduction policies and measures through productive zakat empowerment programs.

Aan (2015) studied how zakat institutions manage and distribute religious and philanthropic funds for children's education. The results indicated that the fund had been distributed into four main programs, which are da'wah, education, social, and economy. The management of religious philanthropic funds for

educational empowerment has been distributed in three programs including Dhuafa Children Scholarship, Sholeh Child Education Development Center, and Dhuafa School Development.

RESEARCH METHODOLOGY

This study employed both quantitative and qualitative approaches. Both primary and secondary data were utilized. Interviews and observations obtained the primary data to see the actual conditions of the object. Meanwhile, secondary data was collected by reviewing related literature.

The analysis technique used was the IDZ measurement. The IDZ was conducted to see the priority dimensions of zakat distribution that are feasible for being assisted. Descriptive analysis was used to describe the respondent's answer during the interview to further validate the quantitative analysis.

Data Analysis

Data that has been obtained was further calculated in the dashboard system of IDZ. That was done to conduct a feasibility assessment of a village to get an empowerment assistance program based on zakat funds along with a focus on the dimensions of its distribution.

The calculation in IDZ using Multi-Stage Weighted Index method, which combines each weighting stage in each index constituent component. The following formula from Puskas BAZNAS was employed;

$$I_i = \frac{(S_i - S_{min})}{(S_{max} - S_{min})}$$

Where,

- I_i = Index on variable i
- S_i = actual score value on variable measurement i
- S_{max} = Maximum score

S_{min} = Minimum score

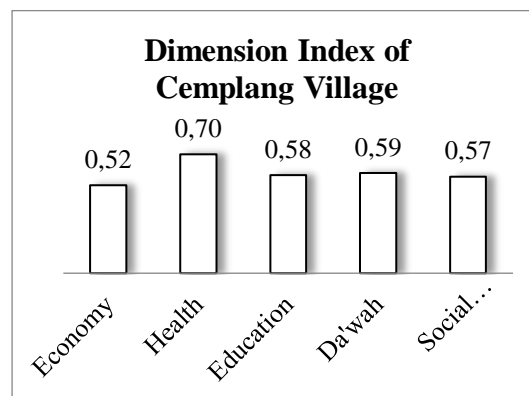
The value of IDZ is in the range between 0 and 1. The more the IDZ value approaches 1, the more the village is not prioritized for assistance.

Conversely, the more IDZ approaches 0, the more priority the town to assist.

RESULTS AND DISCUSSION

The feasibility of the village of Cemplang to assist with zakat funds and the priority of the distribution dimensions was analyzed using IDZ. The results indicated the value of 0.58 (Fairly Good). This value suggests that Cemplang Village, Bogor, West Java, Indonesia, is considered the assistance of zakat funds. Below is the index value of each dimension of the zakat village index in Cemplang Village, Cemplang District, Bogor Regency, West Java.

Graph 1. Index per Dimension of Cemplang Village



Source: Computed by the authors.

In the graph, we can see the overall dimension index value of the Village was in the range of 0.41 - 0.60, which means fairly good. This value is interpreted as a value indicating that Cemplang Village can be considered for assistance. In addition to being seen from the index value, several qualitative assessments are included in the results

of observations made by assessors when conducting field surveys as follows.

Economic Dimension

The economic dimension index in Cemplang was 0.52, which means that it is fairly good so that it can be

interpreted that the Village can be considered to be assisted with zakat funds in the economic dimension. From the calculations that have been made, the index values of variables and Indicators are obtained in the economic dimension as of table 1:

Table 1. Dimension Index, Variables and Economic Indicators

<i>Variable</i>	<i>Index Variable</i>	<i>Indicator</i>	<i>Index Indicator</i>
<i>Productive Economic Activity</i>	0,35	Number of Featured Products	0
		Work Force Participation Rate	1
		Number of Creative Industry Activist Communities	0,00
<i>Village Trade Center</i>	0,47	Market	0,00
		Trading center	1,00
<i>Access to Transportation and Logistics Services/Shipping</i>	0,74	Accessibility of Village Roads	1,00
		Mode of Public Transportation	1,00
		Logistics Services / Goods Delivery	0,00
<i>Access to Financial Institutions</i>	0,56	Availability and Accessibility of Financial Institutions	0,00
		Percentage of residents who owe money to moneylenders	0,75
		Percentage of population using financial products/services	1

Source: computed by the authors .

Table 1 shows that in the economic dimension of Cemplang is generally in a fairly good condition. This condition can be interpreted that BAZNAS can assist the economic condition of Cemplang using zakat funds with the priority sequence of Productive Economic Activity variables with an index value of (0.35), Access to Financial Institution variables with an index value of (0.56), and Access and Logistics Services/Shipping Access variables with an index value of (0.74).

Five indicators have an index value (0.00), namely the Number of Featured Products, the Number of

Creative Industry Activists, Market Availability, Logistics Services/Goods Delivery, and Availability and Accessibility of Financial Institutions. However, not all of these Indicators have a negative effect on the economic condition of the village. As with market availability, the scope of the village does not have a large market, but residents can access the nearest market located in the sub-district within a distance of less than 4km with the condition of the village road to the sub-district already paved. This also applies to indicators of logistics services and

access to financial institutions located in sub-districts.

The things that need to be considered by BAZNAS are Indicators of superior products that are not owned by the village. With the land area of 105 hectares, the local government has not able to maximize agricultural yields to become a superior commodity — currently, the residents who are farmers only 2.9% of the total population of the village. The farming includes rice fields from cultivation the planting period to harvesting and selling individually. There are farmer groups that have previously been formed by the village government but are under-run due to the lack of assistance and capital participation.

The local agricultural commodities also include livestock

commodities. Of 200 households have livestock, both large, small volumes, poultry, and other livestock. The residents who own livestock are still individual and micro scale so that the local government cannot make this a marketable commodity from Cemplang.

Health Dimension

The health dimension index value in Cemplang was 0.70, which means good so that it can be interpreted that the village is less prioritized to be assisted with zakat funds on the health dimension. From the calculation that has been done, the index values of variables and indicators are obtained in the health dimension as of table 2:

Table 2. Dimension Index, Variables and Health Indicators

<i>Variable</i>	<i>Index Variable</i>	<i>Indicator</i>	<i>Index Indicator</i>
<i>Public Health</i>	1,00	Clean Water Facilities	1,00
		Number of houses having bathrooms and latrines	1,00
		Number of houses have access to drinking water	1,00
		Condition of Residential Houses	1,00
<i>Health Services</i>	0,31	Available facilities for Health Center	0,00
		Available facilities for Village Maternity Clinic	0,00
		Availability of Midwife	0,00
		Available facilities for Integrated Service Post	1,00
		Availability of Certified Doctors / Midwives	0,25
<i>Health Insurance</i>	0,75	Number of Village Residents Who Have Health BPJS	0,75

Source: computed by the author

Table 2 shows that the health dimension of Cemplang is generally in good condition. Three indicators had an index value of 0.00, which were the

availability of community health center facilities, the availability of facilities for village maternity polyclinics, and the availability of midwives. However,

these three indicators do not have a negative influence on the health conditions of Cemplang villagers. These three Indicators can be easily accessed by the countrymen at sub-district health facilities and services with a distance of less than 4 km.

Education Dimension

The education index value in Cemplang Village is 0.58, which means fairly good. The calculation we made up the index values of variables and indicators of the education dimension as of table 3:

Table 3. Dimension Index, Variables and Educational Indicators

<i>Variable</i>	<i>Index Variable</i>	<i>Indicator</i>	<i>Index Indicator</i>
<i>Education and Literacy Levels</i>	0,39	Village Population Education Level	0
		People can read and count	0,75
<i>Educational Facilities</i>	0,76	Availability of Learning Facilities and Infrastructure	1,00
		Access to the school is affordable and easy	1,00
		Availability of Adequate Number of Teachers	0,25

Source: computed by the author.

Table 3 shows that in the education dimension of Cemplang, in general, is fairly good. This indicates that Cemplang has not experienced significant obstacles related to the education sector. The lowest index value possessed by the education dimension was the education level of the villagers of 0.00. Only around 13 percent of the total population had completed 12 years of compulsory

education, and only about 0.8% of the total population of the villagers had continued tertiary education.

Dimension of Da'wah

The da'wah index of Cemplang was 0.59, which means fairly good. This could be an indication of considering Zakat assistance for the Village. The result is as of Table 4.

Table 4. Dimensions, Variables, and Indicators of Da'wah Index

<i>Variable</i>	<i>Index Variable</i>	<i>Indicator</i>	<i>Index Indicator</i>
<i>Availability of Religious Facility and Assistance</i>	0,63	Mosque availability	1,00
		Access to the Mosque	1,00
		There is a Religious Companion	0,00
<i>Community Religion Knowledge</i>	0,48	Level of Al-Qur'an Literacy of the Community	0,75
		Community Awareness for Zakat and Infaq	0,25

<i>Variable</i>	<i>Index Variable</i>	<i>Indicator</i>	<i>Index Indicator</i>
<i>Level of Religious Activities and Community Participation</i>	0,63	Religious Routine Activities	1,00
		Participation in Jama'ah Prayer 5 Time	0,25
		Participants in Religious Routine Activities	0,75

Source: computed by the author.

Table 4 shows that the lowest Indicator index value possessed by the da'wah dimension was a religious companion indicator with 0.00. This is due to the local community mostly are religious leaders. The index value of the public awareness Indicator to pay zakat and infaq as well as the Indicator of participation in congregation prayer five

times also has a relatively low with 0.25.

Social and Humanity Dimensions

The above index of Cemplang was 0.57, which means reasonably good, so that zakat funds may assist the Village on such the dimensions. Of the result, can refer to table 5.

Table 5. Dimension Index, Variables and Social and Humanity Indicators

<i>Variable</i>	<i>Index Variable</i>	<i>Indicator</i>	<i>Index Indicator</i>
<i>Facilities for Open Community Interaction</i>	0,53	Availability of Sports Facilities	0,25
		There is a Citizen Activity Group	0,75
<i>Electricity, Communication and Information Infrastructure</i>	0,89	Availability of Electricity	1,00
		There is Communication Access	1,00
		There is internet access	0,75
		There is TV or Radio Broadcast	0,75
<i>Natural Disaster Mitigation</i>	0,00	Disaster management	0,00

Source: computed by authors.

Table 5 informs one variable that has the lowest index value, which is a Natural Disaster Mitigation of 0.00. This natural disaster mitigation variable needs to be considered by BAZNAS because there are educational facilities located in the village in which the areas prone to landslides. But the handling of repairs and construction of landslide affected areas is in the work area of the Bogor government. So that BAZNAS is advisable to encourage the local

government action to form a natural disaster mitigation system to minimize the impact that will be generated on these educational facilities in the event of the unforeseen circumstances.

CONCLUSION

From the overall IDZ measurement we conducted to Cemplang, it can conclude the feasibility of the village to get assisted by BAZNAS program. Further,

several things can be recommended upon the four dimensions, which are economics, education, da'wah, and social and humanity, for further assistance of Zakat fund. In addition, BAZNAS is advisable to focus on increasing the competence of rural communities in terms of developing local products. In this case, the potential of Cemplang is its agricultural commodities. This study is relevant for academics, industry experts, regulators, and other stakeholders of Zakat.

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Profitability Variables and Bank Size Effects on Corporate Zakat: Evidence from Indonesian Islamic Banks

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ABSTRACT

Islamic banks carry out their operational activities based on Islamic principles. Thus, they are not only required to pay taxes but also zakat of 2.5 percent with several conditions. Theoretically, zakat has an impact on Islamic banks larger expenditures compared to conventional banks which are not obliged to. This research examines and analyzes the extent to which profitability variables which are ROA, ROE, and BOPO, and bank size which is represented by total assets, can affect corporate zakat expenditure by Islamic Commercial Banks (BUS) in Indonesia. To do so, the Panel Vector Error Correction Model (PVECM) is used to analyze the subject matters which the period covers from 2012 to 2017. This work finds that in the short-run, all the independent variables were insignificant. However, in the long-run only ROE and BOPO which were significant. The results of the Impulse Response Function (IRF) analysis showed that the dependent variable responds to the shock of its independent variables with fluctuating and even negative trend. In addition, the results of Variance Decomposition (VDC) analysis showed that the contribution of profitability variables and bank size tended to decrease toward the formation of corporate zakat expenditure by BUS until the end of the research period.

Keywords: Corporate Zakat Expenditure, Islamic Banks, Profitability, Bank Size, PVECM

INTRODUCTION

Zakat is an obligation to pay from wealth ownership of humans who fulfill the requirements as muzaki (obligatory zakat) which is paid to mustahik (zakat recipients), with the aim of wealth purifying. The command of zakat is in the Qur'an which several of that have been ordered in the Q.S. Al-Baqarah:267 and Q.S. At-Taubah:103. According to the National Zakat Board (BAZNAS) (2016), zakat not only has the function to distribute wealth to helping the mustahik's economy but also will transform mustahik into muzaki. This role shows that zakat can overcome gaps and poverty that occur in a country.

Islamic Commercial Banks (BUS) are financial institutions that carry out their operational activities based on Islamic principles. As a consequence, the BUS is obliged to conduct provisions originating from both religious and positive law. Based on Islamic law, BUS should pay zakat *maal* if the net profit generated in one year exceeds the *nisab*. Meanwhile, based on positive law, the obligation to pay zakat is regulated in Law No. 23 of 2011, Article 4 Section (3), which explains the obligation to pay zakat *maal* is carried out by individuals and business entities.

According to Financial Services Authority (FSA) Republic of Indonesia

(2018), as of 2017, there is 13 BUS operating in Indonesia with total assets of Rp 435.02 trillion, which increased by Rp 69.36 trillion from 2016. Then, FSA (2018) explained that in 2017 the growth of Islamic banking still showed a relatively good number even though it was slowing compared to 2016, which is seen from the growth of total assets, distributed financing (PYD), and third-party funds (DPK), which has reached 18.97 percent, 15.24 percent, and 19.83 percent, year-on-year, respectively. In addition, other factors that affect the growth of Islamic banking in 2017 were supported by the increase in capital, adequate liquidity, improved quality of financing, level of efficiency, and profitability of Islamic banks.

According to Firdaus et al. (2012), the potential of zakat in Indonesia in 2011 was Rp 217 Trillion or 3.4 percent from Indonesia's total GDP. This amount included the potential of zakat from various sectors including from BUS. However, in its recent realization, as of BAZNAS National Statistics (2018) reported; in 2017, the collected zakat was around Rp 6.2 trillion. Further, it is informed that recently collected zakat fund by BAZNAS was mostly from individual zakat.

BAZNAS (2016) stated that the awareness of zakat payment for a company or business entity is not as impressive as those of the individual zakat. BAZNAS (2016) highlighted further the low knowledge of a business entity on zakat payment due to the growth of corporate muzaki tended to be slow during the period 2012 - 2016. Whereas, Presidential regulation No. 3 of 2014 has clearly instructed that a corporate or company must pay and collect zakat, both employee zakat, and corporate zakat through BAZNAS.

As above described, the disharmony between the potential and realization of corporate zakat by BUS, demands further research to analyze whether the issue of profitability variables and the bank size can affect corporate zakat expenditure by BUS in Indonesia.

LITERATURE REVIEW

Corporate Zakat

Corporate zakat is analogous to zakat imposed on the trade sector. According to BAZNAS (2018), the emergence of term corporate zakat is motivated by ownership of a company which is mostly not owned by individuals but is owned jointly in the form of institutions and organizations managed in the way of certain legal entities. According to Law No. 21 of 2008 on Sharia Banking, notably of its fundamental, it is obvious that BUS is one of the subjects of muzaki which are obliged to expend zakat which has been regulated by the existing laws. In the Al-Qur'an, the command of zakat is in Q.S At-Taubah [9]:103 as follows:

حُذِّ مِنْ أَمْوَالِهِمْ صَدَقَةً
تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا
وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ
سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ

Meaning: Take alms from their wealth, to cleanse and purify them, and pray for them. Verily that prayers (grows) peace of mind for them. And Allah hearer, the knower.

The juridical rules of zakat are regulated in Article 11 Section (2) part b, where trade assets and companies are one of the objects of zakat. Further, the

Law No. 23 of 2011 in Article 4 Section (2) part c and Article 4 Section (3), governs that commerce is one of the sectors which obligated to pay zakat maal and business entities mentioned explicitly as types of muzaki other than muzaki with kind of individual.

Terms of Nisab and Rates of Corporate Zakat

According to BAZNAS (2018), because corporate zakat is analogous of trade zakat, the rules which applied trade zakat, also applied to corporate zakat. BAZNAS (2018) added that nisab, rates, and time of corporate zakat payment are the same as nisab, rate, and time of trade zakat payment which is 85 grams (if using of the gold standard) and the business has lasted for one year.

Meanwhile, the requirements of corporate zakat, according to Arifin (2011) are divided into five conditions as follows:

1. Muslims own company ownership;
2. Halal business fields;
3. Company assets can be assessed;
4. Company assets can develop; and
5. A minimum of corporate wealth is equivalent to 85 grams of gold.

In calculating corporate zakat, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (2008) has issued Financial Accounting Standards (FAS) Number 9 as a reference for the subject matters. It is calculated using two methods, which are the Net Asset Method and Net Invested Fund/Net Equity Method. It is 2.5 percent due based on the lunar calendar, and 2.5775 percent of zakat rate if using the solar calendar.

The formula for calculating corporate zakat using Net Asset Method and Net Invested Fund/Net Equity

Method are formulas follows AAOIFI (2008):

1. Net Asset Method

Zakat base = Assets subject to zakat – (liabilities that are due to be paid during the year ended on the date of statement of financial position + equity of unrestricted investment accounts + minority interest + equity owned by government + equity owned by endowment funds + equity owned by charities + equity belonging to not-for-profit organizations excluding those that are owned by individuals).....(1)

2. Net Invested Fund/Net Equity

Zakat base = Paid-up capital + reserves + provisions not deducted from assets + retained earnings + net income + liabilities that are not due to be paid during the year ended on the date of the statement of financial position – (net fixed assets + investments not acquired for trading, e.g., real estate for rent + accumulated losses).....(2)

Relationship of Profitability Variables and Bank Size toward Corporate Zakat Expenditure by BUS

Several types of research have been conducted, for instance; Maali, Casson, & Napier (2006), conducted social reporting disclosure by Islamic Banks. Of the findings concluded that Islamic banks in sixteen countries had not carried out social banking functions properly, as one of them not paying corporate zakat. Md Arif, Alwi & Tahir (2011) studied factors which influence Malaysian firms to pay zakat. The finding indicated that collection of corporate zakat funds in Malaysia tended

to be low. Firmansyah & Rusydiana (2019) investigated the effects of profitability on zakat expenditures by Indonesian BUS. They concluded that bank size (total assets) moderated the effect of profitability (ROA) on corporate zakat expenditure by BUS.

Samad et al. (2015) investigated the correlation between zakat payment and firm's performance among Malaysian Islamic Banks. They concluded that total variable assets provided a positive effect on corporate zakat expenditure. Meanwhile, the profitability variables, which were ROA, ROE, and NPF, had a negative impact on corporate zakat expenditure by Islamic banks in Malaysia. Abbas, Sulaiman, & Bakar (2018) reviewed Zakat Payments by Malaysian Islamic Banks and found that Islamic banking in Malaysia tended to be low in the subject matters as per calculated using the growth model and working capital model.

Utami (2018) researched the Influence of financing to deposit ratio (FDR), non-performing financing (NPF) and BOPO on zakat compliance in Indonesian Islamic Banks over 2011-2015. She found that only FDR which had a significant effect on compliance of zakat payments by BUS in Indonesia. Utari & Ninglasari (2019) analyzed the factors influencing corporate zakat expenditure in Indonesian context with the period of 2015-2017. They found that ROA was insignificantly affected the corporate zakat expenditure by BUS. However, conversely did ROE and total assets.

Reviewing the above, we recognized that most of the studies had employed regression analysis model. In

this work, the Panel Vector Error Correction Model (PVECM) data analysis technique is engaged to produce two beneficial analyses, which are the Impulse Response Function (IRF) and Variance Decomposition (VDC). IRF is useful to analyze the effect of each shock independent variable (ROA, ROE, BOPO, and total assets) toward its dependent variable response (corporate zakat expenditure by BUS). While, VDC is beneficial to analyze the composition of formation of the dependent variable (corporate zakat expenditure by BUS) from its independent variables (ROA, ROE, BOPO, and total asset).

RESEARCH METHODOLOGY

Type and Data Source

We considered secondary data with panel data of Islamic banks' annual reports from 2010 to 2017. The data was divided into two variables, which were dependent and independent variables. Our dependent variable was corporate zakat expenditure, while the independent variables were profitability variables of Return on Assets (ROA), Return on Equity (ROE) and Operational Costs to Operating Income (BOPO) and bank size represented by total assets.

Operational Definition of Research Variables

In order to find out the effects, further testing is carried out using Panel Vector Error Correction Model (PVECM) which the dependent variable and independent variables used were as follows:

Table 2. Operational Definition of Research Variables

<i>Variable Name</i>	<i>Category</i>	<i>Symbol</i>	<i>Unit</i>	<i>Definition</i>
Corporate Zakat Expenditure	Dependent	Zakat_Paid	Billion Rupiah	2.5% x (current assets – short-term liabilities)
Return on Asset	Independent	ROA	Percent	Net profit before tax/total assets
Return on Equity	Independent	ROE	Percent	Net profit after tax/total capital
Operational Costs to Operating Income	Independent	BOPO	Percent	Operational costs/Operating income
Total Assets	Independent	T_Assets	Billion Rupiah	The logarithm of all assets owned by BUS

Source: <https://baznas.go.id/zakatperusahaan> and SEOJK No. 18/SEOJK.03/2015 on Transparency and Publication of Islamic Commercial Bank and Islamic Business Unit Reports

Population and Sample

The population of this research is the Indonesian 13 BUS. The sample was selected using purposive sampling. According to Umar (2002), purposive sampling is a technique of determining samples using specific considerations. In this, we have taken into account the followings:

1. Islamic Commercial Bank has been registered in the Financial Services Authority (FSA) Republic of Indonesia.
2. Islamic Commercial Bank has published a financial report including corporate zakat expenditure during the period 2010 - 2017.

From the sample above, then we sampled five Islamic Commercial Banks, which are Mandiri Sharia Bank, BNI Sharia, Muamalat Bank, BRI Sharia, and Mega Sharia Bank.

Data Analysis Technique

The data analysis technique used in this research is the Panel Vector Error Correction Model (PVECM). It is a Vector Autoregression (VAR) method that is estimated by the existence of cointegration or long-run relationships between all variables used. Generally, PVECM estimate is carried out using time series. However, according to Groen & Kleibergen (1999), panel data can be done using a likelihood-based framework on cointegration testing. PVECM provides two analysis, which are the Impulse Response Function (IRF) and Variance Decomposition (VDC). IRF is used to analyze the shock of each independent variable toward the response of its dependent variable. While VDC is used to analyze the composition of formation of the dependent variable by their independent variables.

According to Anderson, Qian & Rasche (2006), PVECM equation can be obtained by modifying equations of each in the panel data used. PVECM equation used in this research is as follows:

$$\Delta y_t = \delta d_t + \alpha \beta' y_{t-1} + \Gamma X_t + \varepsilon_t \quad \text{for } t = 1, 2, 3, \dots, T \dots \dots \dots (3)$$

Where:

$$\Delta y_t = \begin{bmatrix} \Delta y_{1t} \\ \Delta y_{2t} \\ \vdots \\ \Delta y_{Nt} \end{bmatrix}; \quad \delta = \begin{bmatrix} \delta_1 \\ \delta_2 \\ \vdots \\ \delta_N \end{bmatrix}; \quad \alpha = \begin{bmatrix} a_{11} & & & \\ & a_{22} & & \\ & & \ddots & \\ & & & a_{NN} \end{bmatrix}; \quad \beta = \begin{bmatrix} \beta_{11} & & & \\ & \beta_{22} & & \\ & & \ddots & \\ & & & \beta_{NN} \end{bmatrix}$$

.....(4)

$$y_{t-1} = \begin{bmatrix} y_{1t-1} \\ y_{2t-2} \\ \vdots \\ y_{Nt-1} \end{bmatrix}; \quad \Gamma = \begin{bmatrix} \Gamma_{11} & \Gamma_{12} & \dots & \Gamma_{1N} \\ \Gamma_{21} & \Gamma_{22} & \dots & \Gamma_{2N} \\ \vdots & \vdots & \dots & \vdots \\ \Gamma_{N1} & \Gamma_{N2} & \dots & \Gamma_{NN} \end{bmatrix}; \quad X_t = \begin{bmatrix} X_{1t} \\ X_{2t} \\ \vdots \\ X_{Nt} \end{bmatrix}; \quad \varepsilon_t = \begin{bmatrix} \varepsilon_{1t} \\ \varepsilon_{2t} \\ \vdots \\ \varepsilon_{Nt} \end{bmatrix}; \quad y_{it} = \begin{bmatrix} \log(\text{ZakatPaid})_{it} \\ \log(\text{ROA})_{it} \\ \log(\text{ROE})_{it} \\ \log(\text{BOPO})_{it} \\ \log(\text{tassets})_{it} \end{bmatrix} \dots \dots \dots (5)$$

Note:

- Δy_t = Difference matrix p of variables examined
- y_{t-1} = Lag 1 of matrix variable examined
- δ = Parameter matrix of model determinant component
- d_t = Vector determinant component to
- $\alpha \beta'$ = Matrix of long-run equation
- α = Matrix of diagonal adjustment
- β = Matrix of diagonal cointegration
- Γ = Matrix of dynamic short-run equation
- X_t = Difference matrix is examined on lag operator of k
- ε_t = Matrix of error term
- Zakat_Paid_{it} = Corporate zakat expenditure by BUS to i in year t (i = 1,2,...5 and t = 1,2,3...8)
- ROA_{it} = ROA value of BUS to i in year of t (i = 1,2,...5 and t = 1,2,3....8)
- ROE_{it} = ROE value of BUS to i in year of t (i = 1,2....5 and t = 1,2,3....8)
- BOPO_{it} = BOPO value of BUS to i in year of t (i = 1,2....5 and t = 1,2,3....8)
- T_Assets_{it} = Total assets of BUS to i in year of t (i = 1,2....5 and t = 1,2,3....8)

Prior to the analysis, to ensure the validity of the model, we tested stationary data using Levin, Lin & Chu t, ADF - Fisher Chi-square and PP - Fisher Chi-square, determining of optimal lag length using Schwarz Information Criterion (SIC) and conducted cointegration test using Kao Residual Cointegration Test.

RESULTS AND DISCUSSIONS

Data Stationary Test

The output of data stationarity test using panel unit root test showed that most of the research variables used namely corporate zakat expenditure, ROA, ROE, BOPO, and total assets did not include stationer at the level of significance $\alpha =$

5 percent. However, after conducting data stationary test at first difference, all research variables were stationer showing by probability values of Levin, Lin & Chu t, ADF - Fisher Chi-square

and PP - Fisher Chi-square which were smaller than $\alpha = 5$ percent meaning that one of PVECM requirements has been fulfilled and further testing can be carried out.

Table 3. Output of Stationary Test Each Variable Used

<i>Variable</i>	<i>Level</i>			<i>First Difference</i>		
	<i>LLC</i>	<i>ADF</i>	<i>PP</i>	<i>LLC</i>	<i>ADF</i>	<i>PP</i>
Zakat_Paid	0.0011	0.0132	0.0559	0.0000	0.0000	0.0000
ROA	0.0335	0.0217	0.0156	0.0000	0.0000	0.0000
ROE	0.2785	0.1140	0.0910	0.0000	0.0000	0.0000
BOPO	0.6163	0.9673	0.9585	0.0000	0.0000	0.0000
T_Assets	1.0000	0.9996	1.0000	0.0000	0.0000	0.0000

Source: Computed by Author (2019)

Length Lag Optimum Criteria

Length of lag included in this research was between lag 1 to lag 3 with consideration of the best model produced from PVECM estimation. Based on the results of the optimum lag test in table 4,

between lags 1 - 3, it was known that optimum lag was found in lag 1 which is shown by the minimum value of Schwarz Information Criterion (SIC). Then, lag 1 was used in PVECM estimation.

Table 4. The output of Length Lag Optimum Criteria

<i>Lag</i>	<i>AIC Value</i>	<i>SIC Value</i>
0	4.261788	4.505563
1	-1.157617	0.305034*
2	-1.869872	0.811655
3	-2.335868*	1.564534

Source: Computed by Author (2019)

Cointegration Test

The output of cointegration test using Kao Residual Cointegration Test showed that all variables used namely corporate zakat expenditure, ROA, ROE, BOPO, and total assets had cointegration relationship which was shown by p-value of 0.001 (p-value < 0.05), meaning that all variables had significant cointegration relationship.

PVECM Estimation Output

After testing all variables to ensure that estimation model was valid, then the output of PVECM estimation of determinants of corporate zakat expenditure by BUS in Indonesia analyzed from profitability variables and bank size, the result is as in table 5

Table 5. The output of PVECM Estimation

<i>Variable</i>	<i>Short-Run Coefficient</i>	<i>t-Statistic</i>
D(LOGZAKAT_PAID(-1))	-0.026772	[-0.15064]
D(LOGROA(-1))	-2.962571	[-1.54634]
D(LOGROE(-1))	1.777013	[1.10349]
D(LOGBOPO(-1))	3.342126	[0.43293]
D(LOGT_ASSETS(-1))	-3.294901	[-1.32828]
CointEq1	-0.543808	[-2.94118]
C	0.706733	[1.26987]
<i>Variable</i>	<i>Long-Run Coefficient</i>	<i>t-Statistic</i>
D(LOGROA(-1))	-4.687842	[-5.77265]
D(LOGROE(-1))	2.832541	[4.46477]
D(LOGBOPO(-1))	15.67965	[2.66660]
D(LOGT_ASSETS(-1))	-2.234579	[-6.01918]
C		

Source: Computed by Author (2019)

From PVECM estimation table above, it can be explained that in the short-run all independent variables used namely ROA, ROE, BOPO, and total assets did not have a significant effect on corporate zakat expenditure by BUS in Indonesia. In detail, the explanation of the impact of each independent variable on corporate zakat expenditure by BUS in short-run was as follows:

- ROA variable showed a negative and not significant effect on corporate zakat expenditure by BUS.
- ROE variable showed a positive but not significant effect on corporate zakat expenditure by BUS.
- BOPO variable showed a positive but not significant effect on corporate zakat expenditure by BUS.
- Total assets variable showed a negative and not significant effect on corporate zakat expenditure by BUS.

The output of PVECM estimation in short-run above was per BAZNAS (2016), which stated that the awareness in terms of corporate zakat payments by business entities has not been as high as the awareness of zakat payments by individuals. BUS orientation still tended to be profit-oriented, and does not give more attention to the social intermediation function. Furthermore, in the long run, it can be explained that all independent variables used had a significant effect on corporate zakat expenditure by BUS in Indonesia. These effects were explained in detail as follows:

- ROA variable had a negative and significant effect on corporate zakat expenditure by BUS with coefficient value as big as -4.68 which means that if there is an increase in ROA ratio as big as 1 percent it will provide a probability of decreasing corporate zakat expenditure by BUS as big as -4.68 percent.

- ROE variable showed the opposite of ROA which gave a positive and significant effect on corporate zakat expenditure by BUS with coefficient value as big as 2.83 which means that if there is an increase in ROE ratio as big as 1 percent it will be followed by an increase in the potential of corporate zakat expenditure by BUS as big as 2.83 percent.
- BOPO variable also showed the same as ROE which gave a positive and significant effect on corporate zakat expenditure by BUS, with coefficient of 15.67, which means that if there is an increase in BOPO ratio of 1 percent, it will be followed by an increase in the potential of corporate zakat expenditure by BUS of 15.67 percent.
- Total assets variable gave a negative and significant effect on corporate zakat expenditure by BUS with a coefficient value of -2.23. This means that if there is a growth of BUS assets at 1 billion Rupiah, then it is not necessarily followed by an increase in the potential of corporate zakat

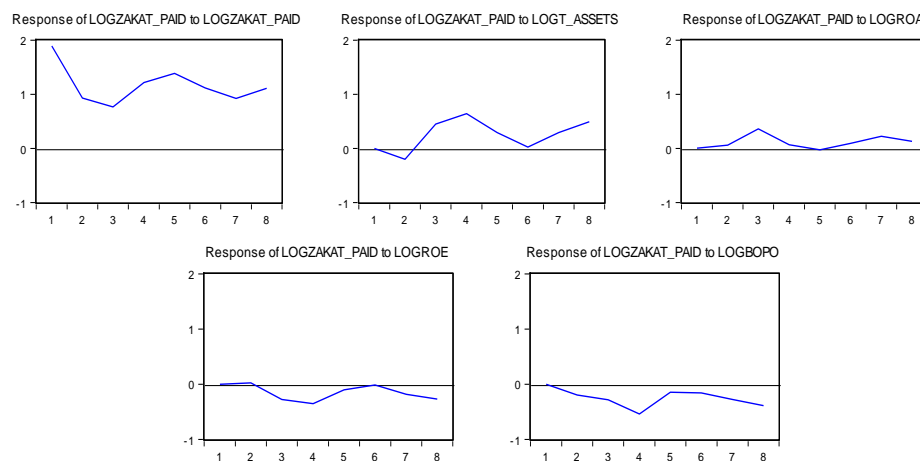
expenditure by BUS. However, on the contrary, it reduces corporate zakat expenditure by BUS of -2.23 percent.

The long-run PVECM estimation results above were per the previous research conducted by Samad et al. (2015), Utami (2018) and Utari & Ninglasari (2019), which stated that profitability variables and total assets of Islamic banks did not always give the effects on corporate zakat expenditure by Islamic banks. In other words, the Islamic bank has not focused on social functions and still tend to be profit-oriented as evidenced by the absence of a correlation between profitability variables and total assets on corporate zakat expenditure.

Impulse Response Function (IRF)

The first PVECM estimation output that can be used to analyze the response of corporate zakat expenditure by BUS toward the shock of ROA, ROE, BOPO, and total assets is Impulse Response Function (IRF). The IRF results in this research are shown in the figure as follow:

Figure 1. Output of Impulse Response Function (IRF) Analysis



Source: Computed by Author (2019)

Through the picture above, it can be explained that the shock of corporate zakat expenditure itself contributes to the decreasing in corporate zakat expenditure by BUS of 0.92 percent, which occurred from the second period and tended to fluctuate until the eighth period used in this research. In addition, the response of corporate zakat expenditure to the shock of ROA showed a positive response and tended to increase until the fourth period. However, in the fifth period of ROA, the shock was responded negatively by corporate zakat expenditure, which caused a decrease in corporate zakat expenditure by BUS of -0.029 percent.

Furthermore, the shock of ROE was responded positively by corporate zakat expenditure in the second period, which increased corporate zakat expenditure by BUS with 0.02 percent. However, in the third period to the eighth period, showed that the shock of ROE was responded negatively by corporate zakat expenditure, which caused a decrease in corporate zakat expenditure by BUS.

The same thing occurred in BOPO shock towards the response of corporate zakat expenditure by BUS. The response of corporate zakat expenditure toward BOPO shock showed a negative response from the second period to the eighth period known by the blue line at the bottom of the balance line which caused a decreasing in corporate zakat expenditure by BUS. A different response was shown by the reaction of corporate zakat expenditure toward the shock of total assets, which showed fluctuations up to the eighth period.

Variance Decomposition (VDC)

The second output generated from PVECM estimation is Variance Decomposition (VDC). The output can be used to analyze the contribution of each independent variable to the formation of its dependent variable. The VDC analysis results are shown in the table as follows:

Table 6. Output of Variance Decomposition (VDC) Analysis

<i>Period</i>	<i>S.E.</i>	<i>Log Zakat Paid</i>	<i>LogT_Assets</i>	<i>LogROA</i>	<i>LogROE</i>	<i>LogBOPO</i>
1	1.889423	100.0000	0.000000	0.000000	0.000000	0.000000
2	2.123492	98.17024	0.895742	0.077995	0.010129	0.845891
3	2.362640	89.85381	4.275307	2.391920	1.371039	2.107924
4	2.808947	82.27611	8.254545	1.746034	2.568047	5.155259
5	3.150488	84.72231	7.414896	1.396917	2.148161	4.317719
6	3.346944	86.14835	6.574436	1.313398	1.905684	4.058131
7	3.506322	85.41899	6.668614	1.592034	2.007357	4.313001
8	3.742293	83.75705	7.562205	1.517561	2.285481	4.877699

Source: Computed by Author (2019)

Through the picture above, it can be explained that corporate zakat expenditure by BUS in the first period was affected by corporate zakat expenditure by BUS itself, which was

equal to 100 percent. Other variables were known not to contribute to the formation of corporate zakat expenditure by BUS. In the second period and onward, all independent variables had

shown their contribution to the formation of corporate zakat expenditure by BUS with the highest contribution which was affected by total assets with 89.5 percent, BOPO with 84.5 percent, ROA with 7.79 percent, and ROE with 1.01 percent. The contribution of all independent variables to the formation of corporate zakat expenditures by BUS showed a trend that declined to the eighth period used in this research.

CONCLUSION

The PVECM estimation results showed that in the short-run, all independent variables used did not have a significant effect on the dependent variable (corporate zakat expenditure by BUS). This situation showed that the awareness of BUS to pay corporate zakat is relatively low. Furthermore, in the long-run, all independent variables had a significant effect on corporate zakat expenditure by BUS. Other results based on IRF showed that the shock of all independent variables tended to be responded by the dependent variable (corporate zakat expenditure), with fluctuating trends and even negative. In addition, based on VDC showed that the contribution of each independent variable to the formation of the dependent variable showed a pattern that declined until the end of the research period. PVECM used in this research which produced two beneficial analysis, namely IRF and VDC being a novelty from this research because most of the previous research only used regression as a data analysis technique.

However, this research has limitations, which is the sample used only consisted of five BUS operating in Indonesia during the period 2010 – 2017. Therefore, future researchers can employ more sample and data.

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Zakat as a Pluridimensional Concept

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ABSTRACT

The aim of this study is to highlight the need to think zakāt as a pluridimensional concept. It cannot be studied in depth without a thought that contextualizes, connects and globalizes everything that its existence implies for actors who do not perceive it in the same way. This approach allows to face the error, illusion, uncertainty and risk that may arise from the feeling of sufficiency, which purports to exhaust the real from a specific point of view, especially that which comes from the financialism that perceives zakāt as a constituent of social finance. Hence the need for an eminently collective effort of reflection to provide everyone to refine his peculiar thought and to apprehend the phenomenon as a whole which shows the zakat, in its deepest essence beyond the legal aspect, as a means to create or maintain the social link.

Key-words: Zakat, Methodology, Pluridimensional concept, Financialism

JEL Classification: B41, B55, G23, Z13

INTRODUCTION

Research on zakāt has grown considerably in recent decades as the writings show in several languages. The disciplinary compartmentalization governing academic research, however, acts as a barrier to approaching the concept as a global object involving various dimensions related to jurisprudence, economics, and finance, as well as history, anthropology, sociology, or psychology. The paradox is that despite analytical and empirical progress, there is a growing inability to think the concept in a global way.

Thinking zakāt as a pluridimensional concept allows us to confront, at the same time, the error, illusion; uncertainty and risk that can arise from the feeling of sufficiency which claims to exhaust reality from a specific point of view. This raises the need for an eminently collective effort of reflection, capable of enabling

everyone to refine his singular thinking and to understand the phenomenon as a whole.

The study begins with the parable of the blind men and the elephant to better understand this problematic, where all participants refer to zakat from a particular perspective, without trying to link the knowledge of the parties concerned to that of the whole; illustrated through the distinction between the general and the specific meaning of the concept. The need to approach this as a pluridimensional object is based on the perspectives developed in finance and anthropology, even if the latter remains somewhat underestimated in view of the available literature. This leads us to consider the contemporary discourse on

zakāt as a field of study worthy of interest for exploring the underlying implicit assumptions. The conclusion recalls the principal results and proposes some possible extensions.

THE PARABLE OF THE BLIND MEN AND THE ELEPHANT

One day, a king summoned a group of blind men. When asked if they knew about the elephant, their answer was: No. He then asked if they wished to know him and the blind men replied: Yes. Immediately, the king ordered that an elephant be brought and told them to touch it. They were questioned as to what the nature of the elephant was, and each one of the blind men likened it to a known object based on the specific forms they felt. In the end, they accused each other of being wrong before the king told them that the body of the elephant is unique; it is the divergent perceptions of each of its parts that produced these errors. This teaches us about both the relativity and the limits of our perceptions.

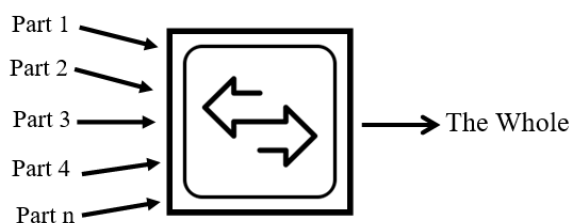
While everyone can claim to possess part of the truth, all the protagonists are right about what they have experienced on their own. On the other hand, they are all wrong when claiming to reduce reality to their fragmentary experience. We must therefore be careful not to identify our own point of view, necessarily limited and partial, with global reality. This is all the more important as there is no interest in excluding the other or wasting time making arguments in good faith. On the contrary, there is an interest in cooperating to reconstruct the whole puzzle.

The same is true for the contemporary discourse on zakāt. Everyone talks about it according to his perception of the subject without trying to link the knowledge of the parts to that

of the whole. As Blaise Pascal (1844, 2: 72) said: "I think that it is impossible to know the parts without knowing the whole, nor to know the whole without knowing the particular parts".

It should be noted that while Euclid had assumed that "the whole is greater than the part", Aristotle argued that there may be a possibility whereby "the part can be equal to the whole". This led to the hypothesis of an inscription of the whole in each of its parts (Godin, 2000: 182). Such idea is further developed by the hologram principle, according to which not only is the part in the whole but that the whole is inscribed in a certain way in the part (Morin, 2008: 78). In other words, the study of the parts makes it possible to deepen that of the whole and vice-versa, through a constant back and forth, as illustrated in figure 1.

Figure 1. Back and forth between the parts and the whole



Source: Developed by the author

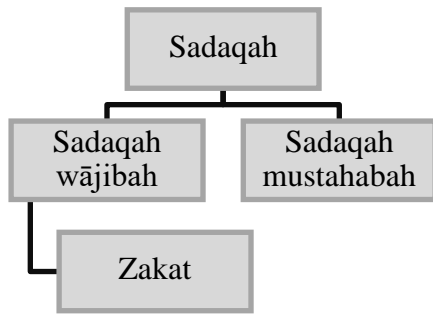
THE ZAKAT BETWEEN GENERAL AND SPECIFIC MEANING

The link between *zakat* and *sadaqah* allows to grasp more concretely the scope of the study on the relationship between the whole and the parts, and its interest in terms of conceptual analysis, in a perspective of contextualization of knowledge, and awareness of the whole of the system of which it is part.

The concept of *zakat* is part of the generic concept of *sadaqah*, which

is divided into two specific concepts: *sadaqah wājibah* (obligatory alms) and *sadaqah mustahabah* (recommended alms) or which is performed voluntarily (al-Asfahānī, 2002: 380), as illustrated in Figure 2.

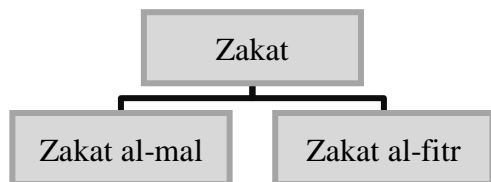
Figure 2. The relationship between *zakat* and *sadaqah*.



Source: Developed by the author

Zakāt is divided into two concepts: *zakāt al-māl* (that concerns goods or tangible assets) and *zakāt al-fitr* (intended to purify everything that may have tainted the fasting of the month of Ramadhan) as shown in figure 3.

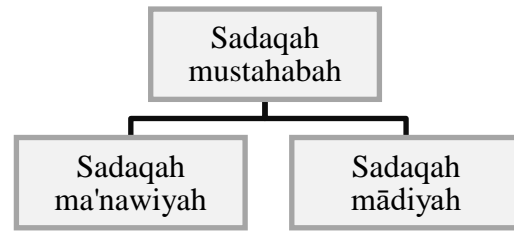
Figure 3. The types of zakat



Source: Developed by the author

The *sadaqah mustahabah* (recommended *sadaqah*), as illustrated in Figure 4, is divided into two major concepts: *sadaqah ma'nawiyah* (moral or immaterial almsgiving), *sadaqah mādiyah* (material almsgiving).

Figure 4. The types of recommended *sadaqah*



Source: Developed by the author

Almsgiving is not limited to the tangible, material, physical, or accounting aspects. It encompasses an intangible, immaterial, and moral dimension which cannot be quantified in monetary terms. The most important things in life, those that are still there in spite of fluctuations, escape the quantification that attributes a quantum to the measurable phenomenon.

This is confirmed by economic anthropology which has shown that the exchange and giving of gifts is a trait that has always existed at the heart of human societies. It is a natural approach of the relationships between human beings, and is the source behind the creation of social links (Mauss, [1925]2012: 240), their maintenance and their regeneration (Caillé, 1998: 75).

THE NEED TO APPROACH ZAKAT AS A PLURIDIMENSIONAL CONCEPT

This anthropological interpretation demonstrates the limits of the tendency to reduce zakat to purely material or even monetary considerations. Such considerations, which at first sight seem updated on the progress of research, make difficult to deepen the understanding of the phenomenon and capture its secret melody. Hence the need to approach zakāt as a pluridimensional concept.

A concept can have many dimensions depending on the angle of view (Depecker, 2003: 85-86). An analysis of the dimensions of a concept makes possible to delimit the relations that it maintains with other concepts, near or far, and to better structure the knowledge, representations, and perceptions towards it.

The concept of zakāt is pluridimensional in that it can be related to many aspects of life. It concerns both jurisprudence (fiqh) (Abu-Saud, 1986) and the contemporary issues that derive from it (nawāzil) (al-Ghafili, 2009), as well as history (Bashear, 1994), anthropology (Abubakar, 2013), sociology (Singer, 2008), economics and finance, all of which gave rise to an immense literature.

These perspectives should be approached as parts, (i.e., elements of a whole), and considered in their relationship with this whole with regard to the risks of underlying cognitive biases, in a permanent back and forth, which scrutinizes the senses without succumbing to the facility of the dominant discourse.

This amounts to linking the pieces of knowledge and restoring them, both in their context and in the whole of which they are part, and to refine the concept of zakāt, tracing its outlines in the light of the challenges, beyond the specific considerations to this or that discipline.

Thus, each perception of zakāt is relative to the other; it can only be defined intrinsically. But taken separately without awareness of the advantages and limits, to the extent that each perception risks draining the concept of its substance.

Hence, the need for a typology that attributes to each party a coefficient that gives it a certain weight, which is far from being obvious, considering the

compartmentalization of disciplines that makes impossible to grasp what is woven together, i.e., the complexity of the phenomenon which cannot ignore the uncertainties and insufficiencies faced by the knowledge acquired in a cumulative way.

FINANCIALIZATION OF ZAKĀT AS A MODE OF FINANCING

The financialization of zakāt, i.e., its perception, above all and despite everything, as a financing tool, illustrates the trap of the compartmentalization of knowledge that prevents the concept from being approached in a contextualized and global manner.

This exercise promises to be difficult as long as the limits of modern science and the ills with which it suffers are not taken into serious consideration, in this case, unilateralism (taking a part for the whole), reductionism (blind to the qualities of the whole), holism (blind to the relations of parties to the whole) (Morin, 2014).

The role of zakāt in financial inclusion, the investments financed by the zakāt fund, and the bank of zakāt are all innovations, resulting from financial engineering, which testifies that the financialization of zakāt is underway. Is not the conceptualization of zakāt more and more centered on finance, by depreciating the importance of non-monetary assets and their social significance, in locally integrated short circuits?!

The financialization of zakāt manifests itself, concretely in everyday life, by the increasingly palpable power of the financial actors over the zakāt collection flows. At this pace, in the future, it will not be only limited to financial services firms, in particular, Islamic banks, or financial holdings; it will probably extend to institutional

investors, as well as rating agencies that will influence, sooner or later, the value of zakāt assets circulating in the market.

Thus, financialization is a process that will affect the mode of regulation of the collection of zakāt (what are the institutions that structure the relations resulting from them?), and the fructification logic of the associated assets (how they reproduce?).

Until recently, the development of zakāt collection was based on the expansion of agriculture, crafts, commerce and industry, i.e., on the sources of livelihoods recounted in classical and contemporary writings that refer to the fundamentals of *kasb* or *ma'ash* modes (al-Shibānī, 1980: 63; al-Mawardī, 1999, 15: 153; al-Muzajid, 2007, 1: 447; al-Qazwīnī, 2015, 13: 157; al-Dulajī, 1999: 57; al-Kattānī, 2016, 2: 11). The reinvested asset was allocated to investments in these vital sectors of human societies where ecosystem diversity was the rule.

Under the era of financialism (Champaud, 2011), it is a completely different logic that looms on the horizon without awareness of the risks involved. Assets no longer have to go through these sectors to grow. They must circulate, exclusively, in the form of financial assets, whose mere circulation induces creation of new capital.

Short-term investing becomes the priority and the value of an asset is based on speculation that takes advantage of price differentials. However, the risk attached to this type of asset is far greater than that of investments in traditional sectors, since the value of an asset depends on the confidence in it and its variation is fueled by rumors, by nature, very volatile.

The risks incurred under the effect of the financialist approach have the merit of opening the reflection for other perspectives, especially that relating to economic anthropology.

ANTHROPOLOGY OF ZAKĀT AS A VECTOR OF SOCIAL LINK

The anthropology of zakāt, neglected so far, is a promising prospect to deepen the understanding of the concept, and better grasp its interest, by linking it to the generic concept of *sadaqah*, which is characterized by giving a smile, a good or a service to others, and is distinguished from the sale, in that it is without valuable consideration, knowing that there are things that are given, things that are sold, and things that must be neither sold nor given (Godelier, 2016: 73).

However, it is important to resist the temptation, inherited from Marcel Mauss ([1925]2012: 68), where the giving or exchange of gifts strives to cover notions that arise from sales. It becomes an all-encompassing concept, which corresponds to exchange in general: merchant and non-merchant. The study of giving should not be dependent on a recurring conflict between economics and anthropology.

These two disciplines, equally important, compete for a common object—very successful in many respects: the study of the circulation of wealth, closely linked to economics (Chagny et al., 2015: 100). The study of gift, or of *sadaqah* in the Arab-Muslim tradition, must not be undertaken, at the same time, with "a double fascination for economy and for anthropology, i.e., a double contradiction" (Mayade-Claustre, 2002: 233-235), masked by a *modus vivendi* which consists of an implicit sharing of tasks: to the

anthropology returns the study of archaic and primitive societies; to the economy that of modern and contemporary societies.

Compared to the financialist approach, anthropology has the merit of pointing out that the link is more important than the good. As rightly pointed out by Alain Caillé (2005: 240): "Our narrow definition of gift shows that goods and services are also sometimes worth predominantly, on the basis of their ability to create and reproduce social relationships. So they do not just have a use value and an exchange value, but also a link value. In the gift thus characterized, the fundamental fact is that the link is more important than the good".

Such developments in research deserves more reflection to further deepen the understanding of the concept of zakāt, insofar as it is not only about giving goods to the poor and financing their needs; but it creates social links while enabling the living conditions of the needy. The social link is not less important than the given good, in a long-term perspective anchored locally, favoring the minimization of risks and the maximization of opportunities.

Thus, the concept of zakāt cannot be studied in depth without a thought that contextualizes, connects and globalizes everything that its existence implies for the actors who do not perceive the object in the same way. The articulation of ideas and information and their organization appears to be essential.

THE NEED TO DECONSTRUCT THE DISCOURSE ON ZAKAT

Faced with this phase difference between signifier and signified, the transfer of a mode of thought on zakāt

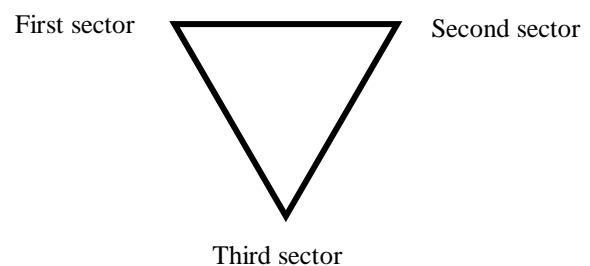
from one discipline to another seems problematic.

Except to risk a misinterpretation, no discipline can become an instrument that serves as a conceptual reference for others. Hence, the need to analyze the discourses on zakāt in order to identify the meaning of statements and their presuppositions that are not always within the reach of those who hold such or such rhetoric.

For example, the discourse that identifies zakāt with a purifying social tax places a special emphasis on the role of the state in the organization of the economy. Whoever assimilates zakāt to a mode of financing gives a predominant role to the individual entrepreneurial initiative. The discourse that emphasizes the role of zakāt in pious or charitable usefulness emphasizes the role of the part of an economy or society comprising non-governmental and non-profit-making organizations.

From this angle, zakāt is perceived respectively as the constituent of the first, second and third sector. The first sector is the public sector, followed by the private sector, and the third sector, which is defined by the inadequacies of the state and the market (Etzioni, 1973: 314), as illustrated in Figure 5.

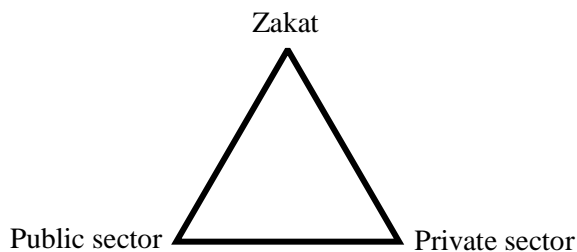
Figure 5. The zakat as constituent of the first, second and third sector



Source: Developed by the author

It should be noted that the reference to *zakāt* took place in the Mekkan period as stipulated in many verses of the Quran (23: 4; 27: 1-3; 31: 3-4; 41: 6-7), before the creation of the state and the market after the Prophet's migration to Medina. Figure 6 illustrates this historical reality, where *zakāt* appears somewhat like the first sector, which has not yet been highlighted in the economic literature. This confirms the result of a recent study showing that the *waqf* belongs to the first sector rather than the third sector (Belabes, 2017). In this, *zakāt* and *waqf* fundamentally form the first sector.

Figure 6. Zakat as the first sector



Source: Developed by the author

A historical investigation is of paramount importance. It involves, in more depth, a reflection on the semantic content. The Koranic exegesis stipulates several hypotheses, the most significant of which is that the *zakāt* of assets was instituted in Makkah. The sampling thresholds and the specific proportions were instituted in year two of the Prophet's migration to Medina, as noted by Ibn Kathīr (2000, 10: 108).

As such, the classical classifications of *zakāt*, relating to expenditures and public revenues (Ibn 'Abd al-Salām, 2007, 1: 476-484, Ibn Zinjawīh, 1986, 3: 759-761), deserve to be enriched. Contemporary studies, that consider *zakāt* as an essential component of the social safety net (Toor

and Abu Nasar, 2004, Ahmad et al., 2017), or as a pillar of the social and solidarity economy (Sigillò and De Facci, 2018), need to be put into perspective despite the interest they arouse and the reflection they spread.

CONCLUSION

The main results of the study are as follows:

- i. To consider the concept of *zakāt* as a pluridimensional object under pain of emptying it of its substance and compromising the realization of its objectives.
- ii. Addressing the different dimensions of the concept beyond purely economic and financial considerations that have shown their limit in more ways than one.
- iii. Deepening each dimension so that the parts enrich the comprehension of the whole and vice versa, through a constant back and forth.
- iv. Avoiding the possibility of one dimension, regardless of the interest aroused, taking precedence over others and thus impoverishing the comprehension of the whole.

In this way, the concept of *zakāt* touches both practical, theoretical and methodological aspects. This undermines the conceptualization of *zakāt* as a vector of economic development or the competitiveness of social entrepreneurship, the respective indicators, the fact of considering *zakāt*, purely and simply, as a component of the social safety net, or the social and solidarity economy, insofar as the concept involves both the role of the

State, the market, and actors that do not fall under either of them.

In view of these results, the study recommends the following:

- i. To deepen the varied dimensions of the concept beyond the purely economic and financial considerations that take on the lion's share.
- ii. Develop a definition of the concept that is better able to meet the needs of this process in a renewed way.
- iii. Explore the impact of this pluridimensional approach on economic analysis.
- iv. Especially that which stipulates that it is necessary beforehand to produce wealth before distributing it. This raises a fundamental question: Does the social dimension boil down to a redistribution of wealth or does it encompass other purposes that are nonetheless important?

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Zakat as a Tax Credit for Raising Indonesian Tax Revenue

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ABSTRACT

This study aims to select the most appropriate treatment of zakat and tax to maximize Indonesia taxation of the given three alternatives. The first alternative is zakat and taxes are not correlated. Second, zakat is used as deductions of taxable income. Third, zakat is used as a tax credit. The basic considerations for determining the rank of these three models are from the aspects of benefits, the costs, and the risks. The analytical tool used is ANP (Analytic Network Process). The research respondents are some experts and stakeholder of zakat and tax in Indonesia. Based on the result of this research, the first rank is zakat as a tax credit with a weight of 0,469. The second alternative is zakat as the deduction of Taxable Income with a weight of 0,385. The third or last alternative is zakat and tax has no direct relationship with the weight of 0,146. Based on this research, to increase tax revenue in Indonesia, zakat as a tax credit is advisable.

Keywords: Zakat, tax, credit, ANP, Indonesia

INTRODUCTION

Approximately 70 percent of the Indonesian State Budget revenue is from taxes. The government will continue to increase the tax revenue target until the tax ratio reaches 20 percent. The current Indonesia's tax ratio is 13.6 percent from the Gross Domestic Product, which is too low compared to other Asian countries, such as Malaysia, which has reached 20 percent, and 33 percent in developing countries. The number of registered taxpayers (WP) is also still small, i.e., 4 million people in 2007 compared to 210 million residents (Gusfahmi, 2007; Muktiyanto & Hendrian, 2008). This significant tax source is in the hands of the Muslim population who are also obliged to pay zakat. So, the issue has

been arising about a double burden for Muslims, which ultimately lead to counterproductive in increasing public participation and the amount of zakat and tax income.

Indonesia currently manages zakat only as a net cost reduction (Law No. 38 of 1999). The regulation only includes zakat income as a cost, consequently avoidance of double burden only effective maximum of 35 percent. That means the Muslim taxpayers have to win a double charge of 65 percent (Wajdi, 2008). Philosophically, zakat is not the cost of getting, collecting, and maintaining income. This is in line with PSAK 101 concerning the presentation of Sharia Financial Statements in Indonesia,

where zakat is not involved in the income statement (Kusumawati, 2005; Alchudri, 2010; Kurnia & Hidayat, 2009; Rahman, 2001; Purwanto, 2009). In practice, it is hard to apply Law No. 38/1999, because 52 percent of taxpayers do not know that zakat or religious donation is a deduction of taxable income (Muktiyanto & Hendrian, 2008, Fidiana & Ngumar (2015).

On the other hand, according to the government's point of view, there is no economic relation in terms of the subject and the object of zakat and taxes, so there is no such double burden for Indonesian Muslims, since the tax is a duty as a citizen, while zakat is a religious obligation. While the parties who use the paradigm have the same objects and functions on the zakat and taxes, argue that the tax credit is one of the best policies (Gusfahmi, 2007; Hafidhudhin, 2011; Hasan, 2006; Hamidiyah, 2007; Muktiyanto & Hendrian, 2008; Fidiana & Ngumar, 2015; Ma'mun, 2017; Suprayitno et al. 2013). It is also supported by a successful practice in Malaysia, where zakat and religious donations are treated as tax credits, or tax deductions up to 100 percent.

The key to success in the implementation of zakat as a tax credit in Malaysia is also caused by the internal management, which is from the state sultanate, where the community cannot freely implement the management of zakat. In other words, the role of government is very dominant. While in Indonesia, the case is on the contrary; people are more predominant in managing zakat, while the government regulates only the management (Setianingrum (2016)).

The policies applied in Malaysia also occurs in Puerto Rico. The acceptance of charitable donations in

Puerto Rico is practiced as a tax credit, which is reduced by up to one percent, which the upper limit raises to a maximum of 50 percent of a person's total income. From such a simulation, the policy will boost the acceptance of charitable donations, far exceeding the potential loss of state tax revenues. In other words, the value of this charitable donation will be higher than the amount of tax lost by corruption and other leaks (Boris, Cordes & Soto, 2010).

Based on the above description, there are three practices of essential policy between tax obligations and zakat, namely the first is zakat as tax credits, the second is zakat as deductions of taxable income and the third is taxes and zakat is not interrelated. With the vast potential of zakat in Indonesia reaching 2 percent of GDP (Ahmad, 2010), while the collected zakat only reaches 1.5 percent (IMZ, 2010), it is necessary to point the accuracy in determining the most effective treatment of zakat and taxes (Setianingrum, 2016). Early research is conducted to find out which treatments are the best input to increase public financial revenue in both sectors while strengthening the redistribution function that is the government's obligation.

From the background above, the following are some of the research questions;

1. What are the criteria and sub-criteria for consideration in the selection of tax and zakat as an integrated policy?
2. Which relationships can occur between one policy criterion with other policy?
3. How to weight each of the zakat and tax as an integrated policy?
4. Which is the best alternative of tax and zakat as an integrated policy based on the criteria and sub-criteria considered?

The above research questions are answered in this paper by using the analytic network process approach.

LITERATURE REVIEW

Bönke, Massarrat-Mashhadi, & Sielaff (2012) employed regression analysis to investigate charitable giving in the Germany welfare state, suggested; that in general tax incentives made by the Germany government can change the behavior of individuals positively in charitable giving. In the tax system in Malaysia, the tax credits other than prepaid taxes can also be credited with RM 350 for individuals whose incomes are under 35,000. All zakat *fitriah*, and religious obligations and some amounts paid to the government. Unlike Malaysia's policy, the application of tax credits in the tax system in Indonesia is only prepaid tax paid in the current year, such as income tax article 25 and foreign fiscal (Wadji, 2008).

Suprayitno et al. (2013) used panel data from 11 countries in Peninsular Malaysia in 2001-2009, with fixed effect model analysis, revealed that zakat has a positive and significant impact on tax revenues. The hypothesis that zakat will reduce tax revenue was rejected. In other words, the zakat integration policy based on sharia law and taxes under the income tax law, where zakah is paid 100 percent tax deductible. This gives a positive correlation to the acceptance of both sectors, as well as facilitate the government to control and reduce the avoidance and evasion of taxes.

In Indonesia, on the instructions for filling the SPT-OP (Annual Tax Return tax object), zakat on income is calculated at 2.5 percent rate, whereas the SPT-OP uses the date of the year of Lunar, meaning the rate is 2.575 percent (Kusumawati, 2005). Moreover, in line with PSAK 101, zakat post as a

deduction of PFM (Taxable Income) is also not included in the SPT-OP. The current law related to zakat as a reduction of PFM needs to be done immediately, because it is not in accordance with the accounting science integrated in sharia, and in literature review also shows that the concept of zakat calculations performed partially, which only see from the aspect of sharia only (Alchudri, 2010; Rahman, 2001; Setianingrum, 2014).

METHODOLOGY

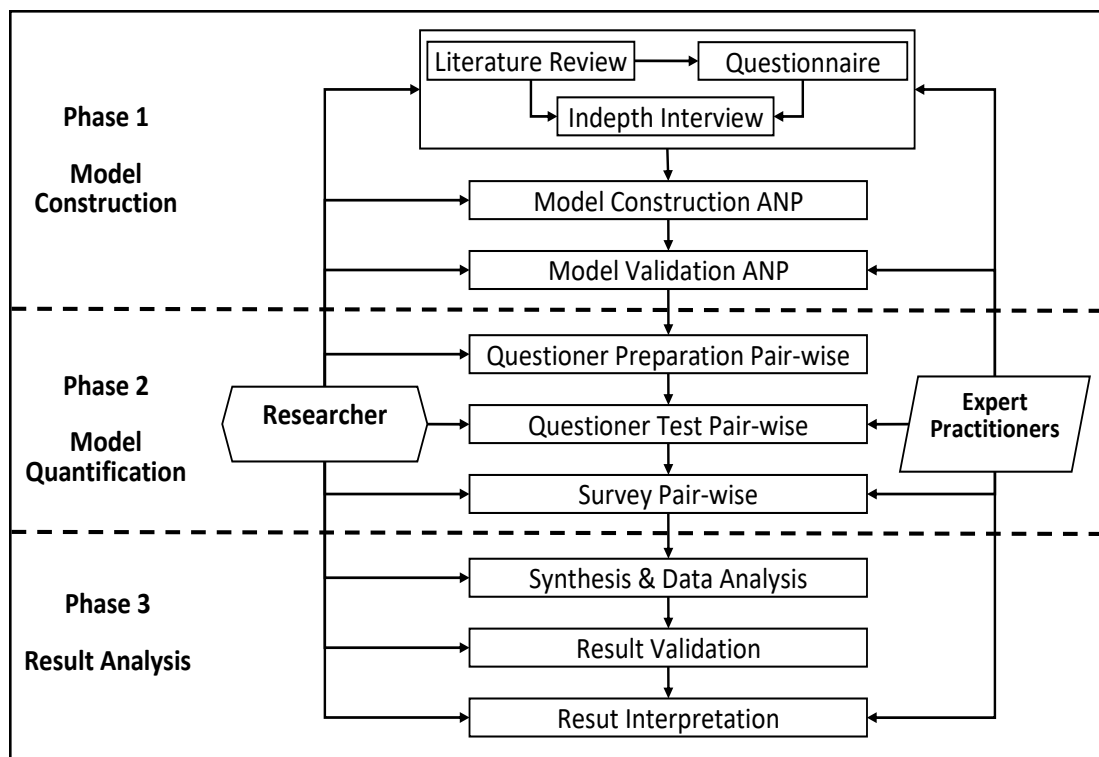
The analytical tool used is the ANP approach network approach Benefit Cost Risk (BCR) and processed by using software 'Super Decision' and Microsoft Excel. The data used is the primary data obtained from the in-depth interview with experts, practitioners, and academics, who are the stakeholder tax and zakat. Followed by filling the questionnaire at the second meeting with the respondents. The respondents selected in this survey were seven experts; one person from National Amil Zakat Board (BAZNAS), one person from the Fiscal Policy Board, five academics and researchers.

ANP has four axioms that theoretical basis, among others:

1. Reciprocal; This axiom states that if PC (EA, EB) is a comparative pair value of elements A and B, seen from its parent element C, indicating how many times more elements A have what belongs to element B, then $PC (EB, EA) = 1 / Pc (EA, EB)$. For example, if A is five times larger than B, then B is 1/5 of magnitude A.
2. Homogeneity; states that the elements that are compared in the ANP framework structure should not have too much difference, which can lead to

- greater errors in determining the assessment of the supporting elements that influence the decision.
3. Priority; i.e. the absolute weighting by using the interval scale [0.1] and as a measure of relative dominance.
 4. Dependence condition; it is assumed that the arrangement can be composed into the components that form the cluster part – The stages in the ANP method as of figure 1.

Figure 1. The Stage of Research



Source: Saaty and Sodenkamp (2008); Yuksel and Dagdeviren (2007); Cheng and Li (2004); Gencer and Gurpinar (2006); Saaty and Thomas (2001); Taslicali and Ercan (2006).

The model quantification stage uses the question in the ANP questionnaire in the form of pairwise comparison between the elements in the cluster to find out which of them is greater (dominant) and how big the difference is through numerical scales 1-9. The data is then collected and inputted through super decision software to be processed to produce output in the form of supermatrix. The results of each respondent will be inputted on a single ANP network.

Synthesis is the opposite of analysis. If analysis means to unravel material or abstract entity into its elements, then synthesis means to combine all parts into becoming one. Because complexity, it is an essential decision situation, or forecast, or allocated resource, often involves too much dimension for the human to be able to conduct synthesis intuitively. Therefore, we need a way to be able to synthesize from multi-dimension. Even though AHP/ANP facilitated analysis, the more important function in

AHP/ANP is its ability to help us in measuring and synthesis of several factors in the hierarchy or network. No other methodology has synthesis facility like AHP/ANP.

If $A_1, A_2, A_3, \dots, A_n$ is n element for a matrix in a hierarchy. Comparison of pair of elements (A_i, A_j) that we need to do reflected by $A = (a_{ij})$, matrix $n \times n$, which $i, j = 1, 2, 3, \dots, n$. Define a set of numerical weight $w_1, w_2, w_3, \dots, w_n$ which reflected comparison obtained, so it can be written as follows:

$$A = \begin{matrix} & A_1 & A_2 & \dots & \dots & A_n \\ \begin{matrix} A_1 \\ A_2 \\ \cdot \\ \cdot \\ A_n \end{matrix} & \begin{bmatrix} w_1/w_1 & w_1/w_2 & \dots & \dots & w_1/w_n \\ w_2/w_1 & w_2/w_2 & \dots & \dots & w_2/w_n \\ \dots & \dots & \dots & \dots & \dots \\ \dots & \dots & \dots & \dots & \dots \\ w_n/w_1 & \dots & \dots & \dots & w_n/w_n \end{bmatrix} \end{matrix}$$

Because every line is fixed multiplication from the first row,

therefore A mean unit rank. With multiple A and weight vector w ,

$$Aw = nw \quad (3.1)$$

To obtain the scale of the matrix ratios, the system below must be solved:

$$(A-nI)w = 0 \quad (3.2)$$

In practice, using ANP methods in research varies widely in various fields, as delivered by Sipahi & Timor (2010), Lee (2010) and Ho (2008). In Islamic economics and finance research, ANP applications can be seen on Rusydiana & Devi (2018), Ascarya (2011), Setianingrum (2015), Rusydiana & Firmansyah (2017), and also Rusydiana (2016). To maintain the level of consistency index and facilitate the interview process with the respondents, the author uses the ANP questionnaire format developed from the original format of the questionnaire from the SuperDecision software. This questionnaire format is as of table 1.

Table 1. ANP Questionnaire Framework

<i>Criteria → Alternatives</i>	1	2	3	4	5	6	7	8	9
<i>Tax and Zakat not related</i>									
<i>Zakat as reduction of PFM</i>									
<i>Zakat as a Tax credit</i>									

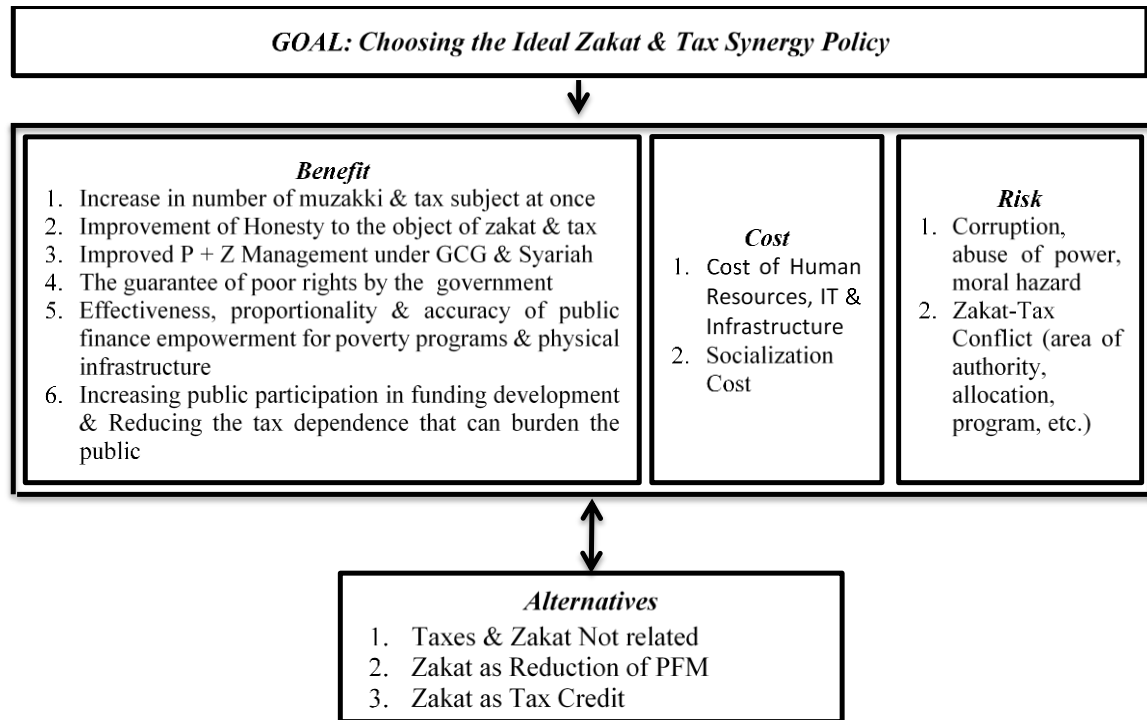
Source: Prepared by authors.

RESULTS AND FINDING

The construction of the ANP model is based on theoretical and empirical review literature, and questions asked to the zakat experts and academics and public policy. Based on the

identification of the above problems and solutions, then the network structure of ANP based on the BCR criteria on the issue of choosing the model of zakat and tax harmonization policy in Indonesia as follows:

Figure 2. Construction Model of ANP



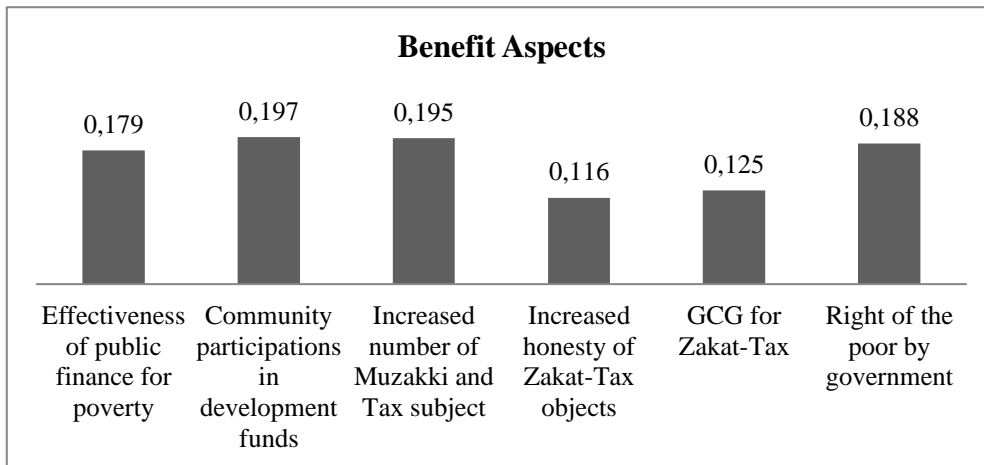
Source: Prepared by authors.

This study aims to select the best zakat and taxation treatment as an incentive to increase tax and zakat in Indonesia from 3 existing models. The first treatment alternative is zakat and tax are not interrelated, the second is zakat as deductions of taxable income, and the third is zakat as tax credits. The primary considerations for determining the ranking of these three treatments are aspects of benefits, costs, and risks. The analytical tool used is the ANP (Analytic Network Process) approach of network Benefit Cost Risk (BCR). The criteria of these three aspects were extracted from the literature study, Forum Discussion Group, and in-depth interviews with the respondents.

Based on the calculation, from the aspect of benefit in the framework

of choosing the zakat and tax integration model in Indonesia, the most critical benefit is the participation of the community in the development fund (0.197). Followed by an increase in the number of muzaki and tax subjects (0.195), the ensured rights of the poor by the government (0.188), and the effectiveness of empowerment of public finances for poverty (0.179). Meanwhile, two other benefits have a relatively small value of the increase of tax management and zakat by good corporate governance (GCG) and the shariah side (0.125) and increased honesty of zakah and tax objects (0.116). Below is a detailed picture of the priority element in the benefit aspect.

Figure 3. Priority Aspects of Benefit

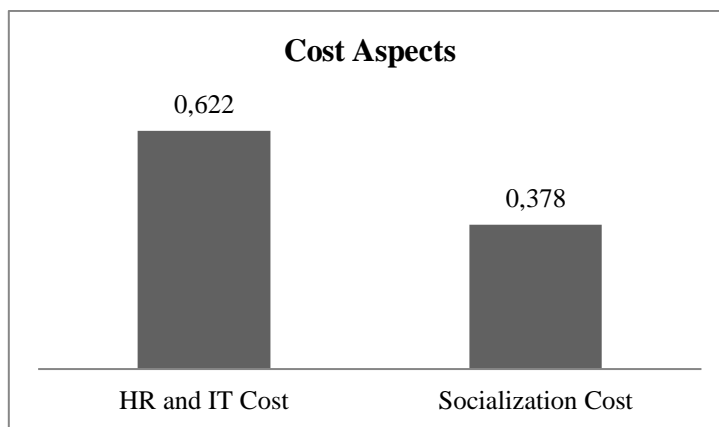


Source: Prepared by Authors

Based on the results of the calculations obtained from the total respondents, from the cost aspect in the framework of choosing the zakat and tax integration treatment in Indonesia, which became cost or the most considerable cost according to

respondents were human resources (HR), information technology (IT) means of infrastructure (0.622) followed by socialization costs (0.378). The following is a detailed picture of the priority element in the cost/cost aspect.

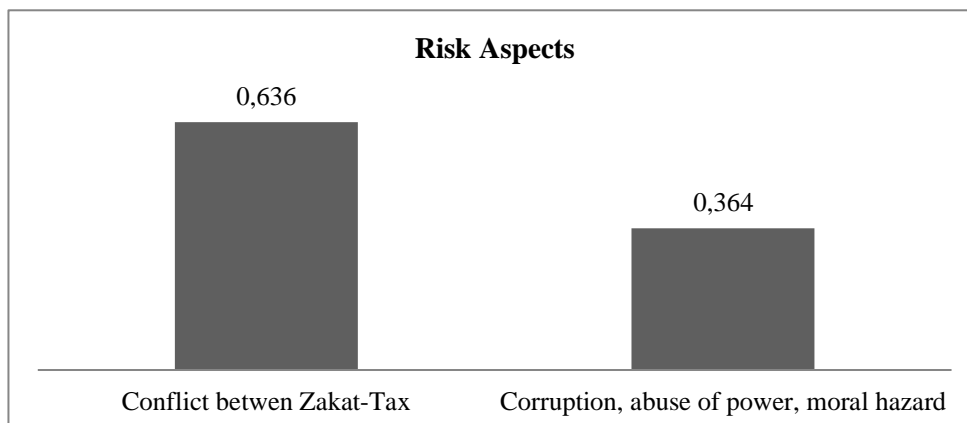
Figure 4. Priority Aspect of Cost



Source: Prepared by Authors

Based on the calculation result from all respondents, from the aspect of risk in the framework of choosing the zakat and tax integration policy model, which become the most significant risk, or risk according to the respondent is related to zakat conflict risk and tax on

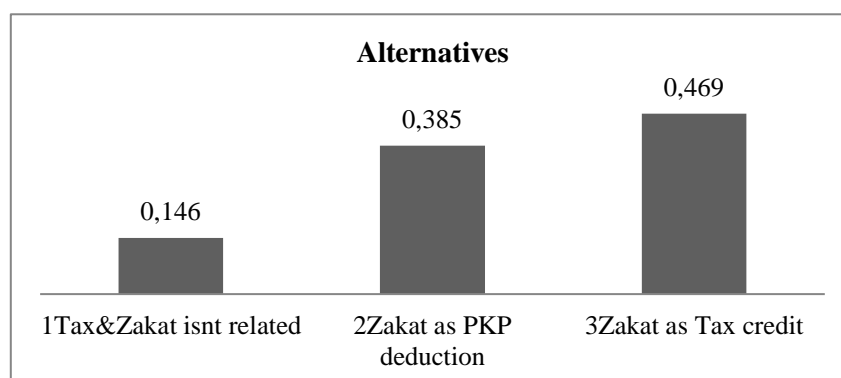
the area of authority, allocation, and others (0.636) followed by risks of possible corruption, abuse of power and moral hazard (0.364). The following is a detailed picture of the priority element in risk/risk aspects.

Figure 5: Priority Aspect of Risk

Source: Prepared by Authors

After obtaining priority result from each aspect Benefit, Cost, and Risk, then we get alternative priority in choosing the model of zakat and tax integration policy in Indonesia. This is the principal analysis obtained from the respondents' answers. Based on the calculations derived from the total respondents, considering the benefit, cost and risk aspects in the framework of choosing the best integration policy model as an incentive to increase in zakat and tax revenue in Indonesia, which is the main alternative is zakat alternative as tax credit with the weight of 0.469.

The next option in the framework of choosing the model of zakat and taxation policy in Indonesia is zakat as a deduction of taxable income (PKP) with a weight of 0.385. While the last alternative in the framework of choosing the model of zakat and taxation integration policy in Indonesia is that zakat and taxes have no direct relationship with the weight of 0.146. The following is a detailed picture of the alternative priority selection of the zakat and tax integration policy models in Indonesia.

Figure 6: Alternative Priorities

Source: Prepared by Authors

CONCLUSIONS AND SUGGESTIONS

Based on the calculation of ANP, considering the benefit, cost and risk aspects, the best form of treatment as an incentive to increase tax revenue, the result is the main alternative is zakat as a tax credit with a weight of 0.452. The next choice is zakat as a deduction of taxable income with a weight of 0.440. Meanwhile, the last option is that zakat and taxes have no direct relation to the weight of 0.109. Thus the most potential zakat treatment to be the best incentive in raising taxes in Indonesia is zakat as a tax credit. The findings are also in line with PSAK 101: Presentation of Sharia Financial Statements, where sharia and accounting principles complement each other and strengthen the position of zakah as tax deductions, not as a deduction of net income currently applied in Indonesia. The findings are also in line with policies in various developed countries, where social and religious donations are already treated as tax credits.

From the research on zakat and tax as an integrated policy, there are several suggestions;

1. We need the enhancements of communication and coordination of zakat authority, tax, and related institutions, to improve taxpayer and muzaki database and the integrated system with information technology support.
2. The policy of zakat and taxation integration should be consistent among sharia principles, accounting principles, and justice and benefit principles.
3. We have to deepen the research by exploring the same problem, such as by expanding the respondents from zakat and taxpayers stakeholder, so that

the depth of the issue and the quality of the solution more excavated.

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