

Transcriptions and Cognitive Perceptions of *Zakāt* in the French Literature (1660-2017): What Can We Learn?

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ABSTRACT

The aim of this study is to explore the different transcriptions and cognitive perceptions of the notion of Zakāt in French literature from 1660 to 2017. The study lists twenty-three transcriptions and thirty-two cognitive perceptions. Most interpret it in their own way, according to their experiences, their feelings, and the time devoted to its knowledge, although scholarly literature is not lacking. This highlights the importance of the Orwell's problem: How is it that human beings know so little when they have access to so much knowledge? Hence the need to differentiate, beyond the essentialization of others, between the existence of the object, its representation, and the way to arrive at its knowledge. Zakat is not merely a technical question, it embodies a vision of the life in society where money is not an end; it is a means for a higher purpose.

Keywords: Zakāt , transcription, cognitive perception, French literature

JEL Classification Code: B40, H20, P50, Z12

INTRODUCTION

The first scientific contacts between Muslims and Christians took place in the East through Christian priests such as Youhana al-Dimashqī (675-753), Abu Raita al-Tikrītī (755-835) and Ammār al-Basrī (d. 840). The problem of transcription from one writing system to another was rare, since the Christians of the East were mostly Arab. The only bias that could distort the exchange of knowledge was the interpretation of writings, what has been called “*hermeneutics*”. The contacts which later established with the Christians of Europe, through commercial exchanges showed besides the problem of interpretation, that of transcription, both at the level of Arabic names and notions. For names, as an example, Ibn Sina, Ibn Rushd, Al-Razi, Ibn Baitar become respectively Avicenne,

Averroès, Rhazès, Abenditar (Rozier, 1785: 365). For the scientific notions, *al-jabr*, *al-Khwārizmī*, *ṣifr*, become respectively in French: algèbre, algorithme et chiffre. In the economic world, the words *ṣakk*, *rizq*, *zhar*, *diwān* become respectively in French: chèque (Massignon, 1931: 5), risque (Piron, 2004: 9), hazard (Mandelbrot and Hudson, 2004 : 50), douane (Tolan and Josserand, 2000 : 89).

In this perspective, the present study examines the transcriptions and cognitive representations of the notion of *Zakāt* in French literature from 1660 to 2017, to explore the presuppositions and the effects. The notion of *Zakāt*, which is present in all religions under different denominations, is not a simple technical procedure of public finance; it conveys a philosophy of life in which money is a means to an end, not an end in itself.

After clarifying the data collection protocol and its limitations, the article sheds light on the various transcriptions of the notion of *Zakāt*, as well as its cognitive perceptions, from which derives the problem of Orwell, the need to distinguish between the existence of the object, its perception and the way to know it, the reasons for which *Zakāt* is perceived as a tax, its repercussions on social structures, the limits of the centralized accounting approach of public finance, the need to go beyond the technicist approach of civilization, and finally the summary of main findings and recommendations.

DATA PROTOCOL COLLECTION

Given the collection of writings on *Zakāt*, it appeared that the French literature presents the following technical obstacles:

- i) The digitized databases do not cover all of the writings.
- ii) The writings are generally limited to references which bear in their title the word *Zakāt*.
- iii) There are several transcriptions of the word *Zakāt*.

To overcome these obstacles, it was necessary to build a database (Appendix) from the writings available at the National Library of France according to the following steps:

- 1) Listing the different forms of writing the word *Zakāt*.
- 2) Searching according to each transcription of the word.
- 3) Compiling the different cognitive perceptions of the notion of *Zakāt*.

The exploration of literature, from 1660 to 2017, has allowed the collection of twenty-three transcriptions and thirty-two cognitive perceptions of the notion of *Zakāt*.

TRANSCRIPTIONS OF THE WORD *ZAKĀT*

Among the early writings on the notion of *Zakāt*, that of the French Capuchin monk and traveler the Father Jacques Dutertre, said Raphaël du Mans (1613-1696), "*Estat de la Perse en 1660*" (The State of Persia in 1660), which compares "*Zekat*" to a tithe on the "*goods and revenue*" (Raphaël du Mans, [1660] 1890: 81). In his book "*Mélanges de littérature orientale*" (Mixtures of Oriental Literature) published in Paris in 1770, the French orientalist and translator Denis-Dominique Cardonne (1720-1783), defines the notion of "*Zékath*" as follows: "*Muslims thus call the portion of their property which they must distribute to the poor according to their faith*" (Cardonne, 1770: 173). The same transcription is taken up by the French novelist and dramatist Xavier Boniface Saintine (1778-1865) (1825: 44) in his philosophical and moral tales "*Jonathan le visionnaire*" (Jonathan the visionary), published in Paris in 1825.

Since then, the word *Zakāt* has been transcribed in several forms as shown in Table 1, derived from three main roots: *Zeka*, *Zaka*, *Zakka*.

Table 1. The transcriptions of the word *Zakāt* in the French Literature (1660-2017)

Numéro	Transcriptions
1st form	Zekat
2nd form	Zékath
3rd form	Zakāt
4th form	Zakât
5th form	Zakât
6th form	Zakkāt
7th form	Zakkat
8th form	Zakāte
9th form	Ez-zakkat
10th form	al-Zakāt
11th form	Zakkah
12th form	Zékat
13th form	Zékât
14th form	Zékate
15th form	Zakkait
16^t form	Zekate

17 th form	Zekkatt
18 th form	Zèkkat
19 th form	Zekâte
20 th form	Zakâ
21 st form	Zakah
22 nd form	Zaket
23 nd form	Az-Zakkat

Source : Compiled by the author

This suggests that the subject has not been approached seriously and thoroughly with reference to the available writings, whether they are publications originally written in French or translations of works originally written in Arabic, such as “*Principles of Muslim civil and religious legislation according to the Maliki rite*” of Khalīl ibn Ishāq (1848-1854), “*Siyāsāt Namah: Treaty of Government*”, composed for the Seljuk Sultan Malīk Chāh (1055 1092) by the Vizir Nizām al-Mulk (1018-1092) (1893), “*The Book of the Land Tax*” of Yaḥyā ibn Ādam (1896), “*Risala or Abridged Treaty of Muslim Malikite and Moral Law*” of Ibn Abī Zayd al-Qayrawānī (1914), “*The Ordinances of Government*” of al-Mawardi (1915). Among the serious French references that of the Académie des inscriptions et belles-lettres (1849: 661) which defines *Zakāt* as a “*legal levy on the Muslim properties which is meant for the needs of the poor*”, or the legal Vocabulary drawn up by professors of law, magistrates and juriconsults: “*legal alms. Proceeds of taxation in that it is established by tax agents; of charity, in that it is poured out with the intention of purification, of charity*” (Capitant, 1930: 502).

COGNITIVE PERCEPTIONS OF THE NOTION OF ZAKĀT

The cognitive or mental perceptions are the images that people make by thinking about a fact, situation, or notion. Table 2 shows thirty-five variants that stem from seven main notions drawn from the French cultural heritage and the political economy

of taxation or public finance toolbox: *tithes* (tenth part of the crops), *tribute* (a contribution imposed by one person on another in a sign of dependency), *tax* (compulsory levy on the resources of natural or legal persons used to cover State expenditure), *royalty* (duty levied on users of a public service), *contribution* (amount paid as a contribution to a joint work), *Levy* (the act of levying a sum on the mass of an estate, on the profits of a house or a business) (Académie française, 1835: 485).

Table 2. The cognitives perceptions of the notion of *de Zakāt* in the French literature (1660-2017)

No.	Cognitive Perceptions
1	Aumône (Alms, Almsgiving)
2	Aumône légale (Legal alms)
3	Aumône obligatoire (Compulsory alms)
4	Aumône coranique (Koranic alms)
5	Dîme (Tithe)
6	Dîme aumônière (Tithe payed as an alms)
7	Dîme religieuse (Religious dime)
8	Dîme obligatoire (Compulsory dime)
9	Dîme de charité (Charity tithe)
10	Impôt (Tax)
11	Impôt-aumône (Tax-alms)
12	Impôt rituel (Ritual taxation)
13	Impôt religieux (Religious tax)
14	Impôt sur la propriété (Tax on property)
15	Impôt annuel sur la fortune (Wealth annual tax)
16	Impôt annuel sur le revenu et la fortune (Annual Income and Wealth Tax)
17	Impôt de solidarité (Solidarity tax)
18	Impôt islamique (Islamic tax)
19	Impôts sur la récolte et sur les bestiaux (Tax on the harvests and the cattles)
20	Impôt arabe (Arab tax)
21	Prélèvement legal (Legal levy)
22	Taxe des pauvres (Tax for poor)
23	Contribution socio-religieuse (Socio-religious contribution)
24	Taxe de la sécurité sociale (Tax for the social security)
25	Redevance social-religieuse (Socio-religious royalty)
26	Impôt annuel sur le revenu et la fortune (Annual income and wealth tax)

27	Impôt de solidarité (Solidarity tax)
28	Impôt islamique (Islamic tax)
29	Impôts sur les bestiaux (Cattle tax)
30	Droits de douanes (Custom duties)
31	Tribut (Tribute)
32	Aumône de la purification de la fortune (Almsgiving of the purification of fortune)

Source : Compiled by the author

In any case, *Zakāt* must be considered as it is, not as one would like it to be or not to be, whether it be the theoretical aspect or the practical dimension, first of all as practiced in the city of Medina in the early days of Islam (Al-Ali, 1990: 131-156; Yasin, 1991: 111-112; Al-Umari, 1997: 55-59; Al Bataineh, 1998: 50-56).

THE ORWELL'S PROBLEM AGAIN

The multitude of transcriptions and cognitive perceptions of the notion of *Zakāt* does not result from the deficit of knowledge but from a lack of interest in the knowledge available. Whether historical, legal or economic writings, or dictionaries and encyclopedias.

As if the discourse on the subject is self-sufficient and does not need any prior knowledge. Hence the Orwell problem raised by Noam Chomsky (1986 : xxv): How is it that human beings know so little given the amount of information to which they have access?

Apart from the propaganda spreading false information to the point of associating the *Zakāt*, the third pillar of Islam, with the financing of terrorism (Brisard, 2002 : 9), ethnocentrism intervenes, i. e. the tendency, conscious or not, to assume that practices that are typical of one's own society are in other cultures. This inevitably leads to contradictory statements. Can *Zakāt* be both a legal alms (Brochard, 1893 : 4), a tax (Mac Carthy, 1858 : 266), and a customs duty (Kouznetsov, 1912 : 85) ? In the case where it is a tax, can *Zakāt* be

altogether an income tax (Littré, 1874, 2561), a cattle tax (Vialatte, 1882 : 4), a wealth tax (Robe, 1870 : 100), a capital tax (Brochard, 1893 : 5), and a herds and soil products tax (Migette, 1901 : 1)?

There are differences in substance and process between *Zakāt* and tax:

- The tax is levied on the entire population residing in the country, while *Zakāt* is specific to Muslims.
- *Zakāt* is an act of worship that comes from voluntary submission to God, whereas the tax is a levy paid in cash to meet the public spending of general interest.
- The tax is due on all resources and goods, whether pure or impure, while *Zakāt* only concerns pure goods capable of growing or fruiting (*Namā'*).
- The tax evolves according to the expenses of the State, while the rates of the *Zakāt* specified by the *Sunnah* are fixed once and for all.
- The tax is used to cover public expenditure, whereas *Zakāt* is limited to the eight categories specified by the *Qur'ān* (9 : 60) : { *As-Sadaqāt* (here it means *Zakāt*) are only for the *Fuqarā'* (poor), and *Al-Masākīn* (the needy) and those employed to collect (the goods); and for to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and *fī sabīl Allah* (for Allah's Cause), and for the wayfarer (a traveler who is cut off from everything); thus it is an obligation imposed by Allah. And Allah is All-Knower, All-Wise }.
- The tax reduces the income of taxable individuals and legal entities, whereas, unlike *Zakāt*, as the *Hadīth* indicates, "*alms do not diminish the income*" (Muslim No. 2588). To be convinced of this, it is sufficient to apply the teaching beyond purely quantitative and

material considerations. Allah said: { Spend what We have given you } (*Qur'ān*, 2: 254) Then he adds: { And whatever expense you make, He replaces Him, and He is the Best of the Givers } (*Qur'ān*, 34: 39).

As regards the assimilation of *Zakāt* to a customs duty, there is a clear confusion between the *Ushūr*, which are customs duties instituted during the reign of the Caliph 'Umar ibn al-Khattāb (579-644) (Abū Yūsuf, 1979 : 132), and the '*Ushr* (tenth), which concerns the *Zakāt* of cultures naturally watered by rainfall or river floods (Ibn Salām, 2007, 2 : 138-146).

ON THE NECESSITY OF DISTINGUISHING BETWEEN ONTOLOGICAL, IMAGO AND EPISTEMOLOGICAL ASPECTS

In view of the compiled literature, the problem of explaining how we can know so little about *Zakāt*, when we have at our disposal so much knowledge about this common obligation to the three monotheistic religions (Bremner, 2000; Cascio, 2003; Maréchal, 2004), requires distinguishing between the existence of the object (ontological aspect), in this case the *Zakāt*, its representation (the imago aspect), and the way to know it: how we know that we know (epistemological aspect), as illustrated in Table 3.

The existence of the object refers to the *Zakāt* as it is theoretically mentioned in the texts of the *Qur'ān* and the *Sunnah*, and as it is put into practice.

The representation of the object refers to the cognitive perception of *Zakāt*. This perception can be faithful to the object as it is, just as it may be incomplete, distorted, or contrary to reality by misinterpreting texts or distorting the source. In an issue of the periodic collection of the Jurisprudence générale du

royaume en matière civile, commerciale et criminelle (1848 : 3), founded by Dalloz aîné and Armand Dalloz, his brother, it is written about what is called "*Zékat*": "*These levies are made in kind and on all things: no interest, no value of any kind can escape it. However small the fortune of the individual, it is subject to Zékat; the tax is perceived in the name of religion, which purifies property in the hands of the possessors. It was with the help of these taxes that Abd-el-Kader¹ succeeded in supporting the holy war against France. In any case, the levies have had this deplorable effect, to annihilate all commerce, and to give up to a miserable and agitated life of the populations which the Creator has placed in the finest conditions of human existence*".

This demands a reflection on the 'how do we know?' beyond the 'what do we know?', articulating every object of knowledge to the conditions of possibility, which refers in its turn to an interrogation on 'the conditions of knowledge as knowledge' and 'the possibility of knowledge in its historical existence' (Foucault, 1966: 89; 1969: 171). In other words, what made possible the concerns about *Zakāt* in France? What documents are the testimonies of what happened, what was thought or what was said?

¹ Emir Abdelkader (1808-1883): emblem of the Algerian resistance facing the French colonization.

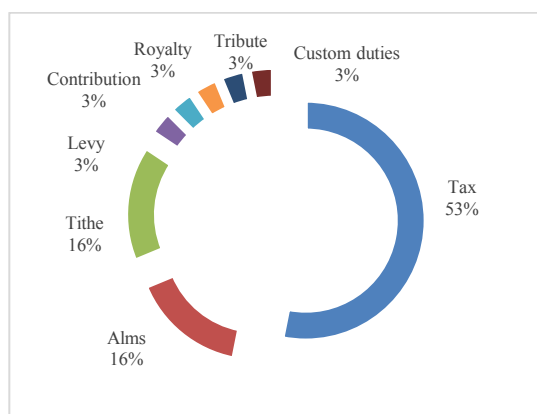
Table 3. Analytical framework for the perception of the practices that are associated or refers to Islam

The aspects of the Methodology	Definition	Application in this case
Ontological existence	Existence of the object	<i>Zakāt</i> as a compulsory almsgiving
Imago existence	Cognitive perception of the object	<i>Zakāt</i> considered as tax, alms, tithe, levy, contribution, royalty, tribute, custom duties
Epistemological existence	Way of achieving the knowledge of the object	Through a source considering the <i>Zakāt</i> as it is or such as one would like it to be or not to be

Source : Proposed by the author

WHY ZAKĀT IS PERCEIVED AS A TAX?

In view of Figure 1 on the basis of the data summarized in table 1, one question deserves special attention: Why is *Zakāt* primarily perceived as a tax?



Source: Prepared by the author

Figure 1. Distributions of the perceptions of the notion of *Zakāt* in the French literature (1660-2017)

If we consider the writings on French colonies, which are predominantly Muslim, the question seems to be intimately linked to the desire to establish its authority over the whole territory, to control the management of public finance and the collection of taxes in all its forms in spite of the relentless resistance to occupation. In short, the *Zakāt* almost becomes a national security issue.

In a letter sent from Paris on 11 June 1842, the French Minister of War, Marshal Jean-de-Dieu Soult, Duke of Dalmatia (1769-1851), appealed to the Governor General of Algeria, Thomas-

Robert Bugeaud (1784- 1849) on the “mode of perception”² of the *Zakāt* and “the agents” to whom “this perception should be entrusted” (Archives du Gouvernement Général, quoted by Schefer (1916 : 70).

Another letter from the same Governor General of Algeria to the General Henri d'Orléans, Duke of Aumale (1822-1897), addressed from Algiers on 30 March 1844, clarifies the previous question: “I tried to collect in money the tax in kind on cattle (*Zékat*), and this succeeds marvelously; Several tribes have already paid in full” (Ideville, 1882 : 475). In a dispatch to Bugeaud dated May 28, 1844, Lieutenant-General Christophe de Lamoricière (1806-1865), commander of the province of Oran³, wrote: “They paid me the *Zekkat* in money” (Le Constitutionnel, 1844: 2). This sheds light on one of the causes of *Zakāt*'s assimilation to a tax: the perception of *Zakāt* in cash rather than in nature, a procedure that seems difficult to apply in a short time without the use of force.

The perception of *Zakāt* by the colonial authority aims to stop the financing of the popular uprisings which began under the leadership of the Emir Abdelkader in 1832, on the assumption that these uprisings are funded essentially by the *Zakāt*. To justify this thesis, some authors do not hesitate to conceal certain information, outlined in the original texts of the *Qur'ān* and the *Sunnah*, so that the

² The Minister of War uses the word “*Zekat*”.

³ Oran is Algeria's second largest city.

Zakāt appears closely connected with the financing of the holy war or war against the infidels (Tornauw, 1860: 58; Letourneau, 1895: 347; Kouznetsov, 1912: 94).

In a note on “*Muslim law exposed from sources*” published in the *Revue critique de législation et de jurisprudence* in 1860, Nicolas de Tornauw (1860 : 135) confirms this idea and reinforces it, so to speak: “*Zekat is a tax created by the Koran and obligatory for every Muslim, a tax destined mainly to wage war against the infidels, to support Islamism and to relieve the poor*”. E. Meynier (1868 : 106) is more categorical in writing without providing any tangible evidence to support his thesis: “*Mahomet, in the beginning, employed the alms tax, mainly for the maintenance of those who fought in the path of God*”.

There is one question that needs to be addressed: Why is the word “*fī sabīl Allah*” mentioned in the verse on the eight categories of beneficiaries of *Zakāt* (*Qur’ān*, 9:60) is associated with the holy war, while it is generally translated as follows: “*in the way of God*” (de Buire, 1864 : 20), “*for the love of God*” (Robert, 1928 : 219), “*acts pleasing to God*” de Tornauw, 1860 : 137)?

In his book “*La conquête de l’Algérie*” (The Conquest of Algeria) published in Paris in 1857, Amedee Hennequin (1817-1859) confirms this reading beyond the propagandist turn of the cover of facts: “*A single tax was levied in the name of France, the customary tax on sown land and on cattle. He had to be perceived regularly. According to the statistical reports collected by the officers of the Arab offices and communicated to administrative committees, which operate in all subdivisions and in all cities, the Government fixes the number of sheep and beef, the number of barley and wheat measures to be provided by the tribes. Military commanders send the payment order to the superior indigenous leaders, who forward it to their subordinates. They divide amicably the tax between all the*

tents. Sometime after, the khalifat, bachagha⁴, or independent agha⁵, sends the collectors to the tribes, who give acknowledgments in exchange of the taxes which they have received. Everyone knows what he has to pay; No one can be forced to pay more than he owes. While, under the emir⁶, the political agents levied the tax, which they did not fail to grow by exactions, they only supervise a perception from which they no longer dictate amount under the French regime”(Hennequin, 1857 : 80).

Under the article 2 of the ordinance of January 17, 1845, constituting the financial system of Algeria, the governor general of Algeria sets *Zakāt* “*in cash (French securities)*” (Mélia, 1878: 288). For livestock, the tariff was fixed above a certain threshold, as shown in Table 4 for 1862. The tariff of goats and sheep increased by five centimes in 1889 as shown in Table 5. Each taxpayer pays his due on 1 January of the year in which the tax should be collected (Pouyanne, 1909 : 672).

Table 4. Tariff of the *Zakāt* of cattle in French franc (1862)

Type of livestock	Amount per head
Camels	4
Beef	3
Goats	0,20
Sheep	0,15

Source : Gouverneur Général de l’Algérie (1862). *État actuel de l’Algérie : publié d’après les documents officiels*, Paris: Imprimerie impériale, p. 15.

Table 5. Tariff of the *Zakāt* of cattle in French franc (1889)

Type of livestock	Amount per head
Camel	4

⁴ *Bachagha* : title of a high dignity of the administrative hierarchy during the Ottoman presence in Algeria (1515-1830).

⁵ *Agha* : commanders of the various branches of the military forces during the Ottoman presence in Algeria..

⁶ The Emir Abdelkader.

Beef	3
Goat	0,25
Sheep	0,20

Source : Brochard, Arthur (1893). *Les impôts arabes en Algérie*, Paris: Guillaumin et C^{ie}, p. 16.

In an article on taxes in Algeria, Charles Migette (1901 : 1) explains that the “*Zekkat is maintained, and its name remains associated the herds, grazing animals, working animals and their products. Our administration fixed the amount on a horned animal of thirty, one camel on forty, one sheep, one goat on a hundred; Then, a second step brought the uniform conversion into money, in proportion to the value of the animals. Due to fluctuations in this value, the General Government annually decides on tariffs*”. The lawyer A. Tessier (1893: 38) adds that the revenues of the *Zakāt* are estimated annually between 1880 and 1891 at about six and a half million francs.

The official discourse tries to justify the perception of *Zakāt* by a concern to redirect its income towards the financing of social activities far from any warrior spirit. In a note on taxation in Muslim law, published in the Bulletin of Information and Intelligence of November 8, 1937, after pointing out that “*the Zékāt constitutes a truly Islamic tax*”, Daurel (1937 : 7) specifies: “*The French State, in substituting its sovereignty for that of the Muslim princes, inherited the proceeds of levies. But he retained his original spiritual principle. A large part of the sums collected in this plan is, in fact, earmarked for the upkeep of the mosques, the creation and functioning of the Madrasa⁷, and for assistance in all its forms: Relief for the needy, free health care in dispensaries and hospitals, herd protection against diseases*”.

Such activities were financed before the colonization by the *Waqf* before being confiscated on December 7, 1830, in support of decrees issued by the Ministry of War and then the Governor General of

Algeria once installed. According to some sources, the *Awqāf* accounted for half of the land cultivated in 1850 (Bleuchot, 1999). In the eyes of the colonial authorities, the *Waqf* appears to be an obstacle to their colonization policy and to the realization of its economic objectives, since it constituted an effective socio-economic instrument for safeguarding the material interests and the cohesion of society (Saidouni, 2007). In short, the *Zakāt* is diverted from its original vocation, as Octave Houdas (1904 : 49), points out, “*the payment is made in cash according to a conversion table drawn up each year, but it is hardly necessary to say that he no longer has the character of a tax in favor of the poor whom Mahomet had given him*”.

THE BREAK-UP OF SOCIAL STRUCTURES

The repercussions of the confiscation of *Waqf* lands and the perception of *Zakāt* by the colonial authority go far beyond the institutions themselves. By substituting the perception of the *Zakāt* for money rather than money and nature, as was the case in the past, the colonizer has accentuated the destruction of ancient structures and of the immaterial inheritance with unique features, to subdue colonized societies to the requirements of the economy of the metropolis independently of its referent.

Before the colonization of Algeria on July 5th, 1830, the differentiation between the social and economic sphere had no place in the city, the economic was embedded in the social. In addition to the acquittal of the *Zakāt*, the extent of the *Awqāf*'s field of intervention reflects an unusual solidarity that extends to the holy cities of *Mecca* and *Medina*, through what is commonly known as “*Waqf al-Haramayn*” (Saadallah, 1998, 1: 225-310).

The almsgiving in general and the *Zakāt* in particular, in the form of money or in nature, indicate that the gift and

⁷ *Madrasa*: Muslim educational institutions.

acquittal of a right to humans convey a philosophy of preserving the social link and life in community that is the prerequisite of the fulfilled and full life of a believer. This testifies to the close link between the right of God and that of creatures as indicated by the following *Qudsī Hadīth*⁸: “*God said: We have sent down the goods to observe the prayer and fulfill the Zakāt*”⁹. It also testifies that economic activities, and the transfer of goods that flow from it in one way or another, are a part of a process of life in society, or *‘Umrān Basharī* in the sense of Ibn Khaldūn (1332-1406) (2002), to serve ultimately a supreme goal. However, when a society has no finality, it raises the means to the rank of goal.

Any contract which may induce a conflict in society, where all that is gained by one is at the expense of the other without any creation of real value is unacceptable. In this spirit, the *Ribā*, the excessive *Gharar* and the *Maysir* are prohibited.

Moreover, this *Zakāt* philosophy shows that it is the distribution of goods (*Amwāl*), i. e. all that is profitable to humans, which determines the possibilities for the development of forms of subsistence (*Awjuh al-Ma’āsh*), and thus social cohesion.

Through the relatively small character of its rates, the *Zakāt* shows that the reduction of inequality is not only profitable in the long term for society as a whole, but that it costs practically nothing compared to social exclusion and the problems it generates in terms of delinquency, criminality and terrorism; three scourges that now extend to the entire planet.

The reduction of inequality is motivated here in view of the sacredness

and the dignity of the human. As Al-Juwaynī (1028-1085) (2006: 118) pointed out more than nine centuries ago: “*the whole world here in its entirety could not be worth the suffering of the poor living among Muslims*”. This confirms that the attitude of the Prophet Muhammad (peace and blessings of Allah be upon him) in favor of the poor (*Fuqarā’*) and the needy (*Massākīn*) is a concern for equity and humanity (Al-Ali, 2000: 375).

LIMITS OF A CENTRALIZED ACCOUNTING APPROACH OF PUBLIC FINANCE

The philosophy of the *Zakāt* calls, in more than one way, to conduct a more in-depth reflection on public finance.

Beyond the accounting approach, which concentrates on constituents such as *Ghanīmah* (booty taken in battle), *Kharāj* (property or land tax), *Ushūr* (customs duties), *Fai* (tax on the booties gained without fighting), *Rikāz* (tax on minerals), *Jizyah* (capitation tax), it is imperative to restore the nobility of the social link based on trust, solidarity, cooperation and a sense of belonging to a common destiny.

This has escaped the special committee appointed by the General Government of Algeria to study a plan to modify Algeria's taxation system with a view to assimilating into line with that in metropolitan France. The first point refers to “*the substitution of the land tax to the existing Arab taxes*” (Journal des débats politiques et littéraires, 1862 : 1).

It also escaped lawyer scholar J. Sartor who proposes in his “*Political and Administrative Reform Project of Algeria*”, presented to the Commission established by imperial decree to draw up a draft Constitution for Algeria, the “*suppression of taxes called zekkat and achour among the natives to establish only the property tax*” (Sartor, 1869: 14). What is good for France is not necessarily good for other countries viewed as uncivilized or less

⁸ A *Qudsī Hadīth* is a divine word reported by the Prophet Muhammad peace be upon him.

⁹ Authentic Hadith reported by Ahmad in his book “*al-Musnad*” (No. 21956) et al-Tabarānī in his book “*al-Mu’jam al-Kabīr*” (No. 3300); see al-Albānī (1995: 4, 182-183).

civilized. However, this has yet to be demonstrated and civilization is not limited to material objects.

The payment of the *Zakāt* shows that the means of exchange, whether in money or in nature, must serve the social link, encourage local production and the circulation of goods, and prevent them from speculation; which goes hand in hand with an equitable distribution of wealth.

In response to these closely related *Maqāsid* (purposes), the *Sunnah* specified that the goods subject to the *Zakāt* must reach the *Nissāb* (minimum quantity required) and the *Hawl* (a complete lunar year), with regard to the surplus production not of the own consumption. This explains why the list of goods subject to *Zakāt* has not been finalized in order to take into account the specificities and resources of each society, at any place and at any time, and integrate the new occurrences (*Nawāzil*), such as current accounts, securities, investment funds, insurance products, copyrights, intellectual property, and the *Sukūk*.

This theoretical contribution has not yet received the attention it deserves because of an evolutionary reading of the history of economic facts, considering non-monetary transfers as a primitive reality that is obliterated by technical progress. In a certain sense, it corresponds to a recent study which takes a new perspective on the *Ribā al-Fadl* (Belabes, 2016), which was hitherto regarded as a specific practice for primitive, archaic and traditional societies. The peaceful coexistence of money and the direct exchange of goods without an intervening medium of exchange, as Muhammad Hamidullah (1982) shows in his study "*The Arab village at the time of the Prophet of Islam (569-632)*", rightly recalls, beyond the purely material aspect, that finance must serve the real economy and not the reverse.

The recent emergence of collaborative platforms undermines this evolutionary reading. The functioning of

these digital inter-relationship platforms is based on the sharing or exchange between individuals of goods (cars, housing, camping-cars, boats), services (cooking, cleaning, car-pooling, babysitting, sewing, gardening, painting, handiwork), knowledge, with monetary exchange (sale, lease, delivery of service) or without using a medium of exchange (donations, bartering, volunteering).

Monetary and non-monetary exchanges can coexist without encroaching on one another, and without pretense of superiority, contempt or worthlessness. In other words, the non-monetary economy is not lagging behind the monetary economy, nor a step to overcome at all costs for entering the era of modernity. As Eugene Robe (1870: 100) notes, confirming Orwell's problem in his own way, "*the Zakkat was obligatory for all Muslims, it struck goods only as long as it exceeded the value of 200 dirham (120 francs), and had been owned for more than a year. This was the application of an eminently modern idea*". In the same vein, Arthur Bochard (1893: 4) writes: "*The Zekkat compulsory for every Muslim and regarded as endowed with purifying virtue only affects goods whose value exceeds 120 francs and that one owned for over a year. These exemptions recall the modern principle of the exoneration of the minimum of existence*". If the epistemological neutrality is in order, there is only one winner: progress in the knowledge of socio-economic facts in all their complexity.

OVERCOMING THE TECHNICIST APPROACH TO CIVILIZATION

In attempting to civilize the system of public financing of indigenous peoples, by substituting the tax in money for that which was originally conceived in nature and money, the colonial authorities committed one of the most abominable crimes against humanity which has not

attracted sufficient attention so far, the destruction of the structures of the indigenous peoples which, over the centuries, have assumed a variety of forms in harmony with the local specificities of each region.

This heritage of indigenous peoples, far from being limited to material objects strictly speaking, encompasses an immaterial dimension which is an important factor in maintaining the diversity of lifestyles through the '*know-that*' (knowledge of facts) and '*know-how*' (skills) passed from one generation to the next.

This technicist approach to civilization, which makes technology an end in itself, paradoxically leads the colonizer to lose his freedom. In other words, by destroying the diversity through the extension of the reign of technology, he works to the loss of his own freedom.

This is evidenced by the words of Louis Massignon (1883-1962), an Islamologist and adviser to the Inter-Ministerial Commission of Muslim Affairs, which played a major role in shaping a Muslim policy for France from 1911 to 1937 (Le Pautremat, 1999). In his preface to the book of Max Vintéjoux "*Le miracle Arabe*" (The Arab Miracle) he writes: "*It is true that the Arabs at present are discouraged by the evil that is said of them. So it is up to their hosts, like Vintéjoux, and myself, to shout to our Arab friends to hold out, to resist all this enslaving propaganda which proposes to them to renounce their honor, their tradition, their ancestors, to capitulate before the colonialist force and the capital of the banks to conform their way of thinking and acting to this false civilization of robots that no longer believes in itself, nor in God, and aspires to subdue Universe to a climate of American "digests" imbeciles, written in "basic" (or in "pigeon") English. All this fabrication of fake ersatz will fall shortly. Let them hold on? The world needs them*" (Massignon, 1950 : 15).

This questioning of the benefits of the colonial work, following a letter from the essayist and thinker Hamouda Bensai (1902-1998) to Louis Massignon in 1946 after the massacres of May 8, 1945, constitutes a setback for those who justified colonization through its civilizing mission, with Victor Hugo (1802-1885) in the forefront, who told the Governor-General of Algeria Thomas-Robert Bugeaud in 1841: "*I believe that our new conquest is fortunate and great. It is civilization which marches on barbarism. It is an enlightened people who will find a people in the night*" (Hugo, 1888: 52). It should be noted that Victor Hugo made this statement a few months after his election to the *Académie française*¹⁰ on January 7, 1841.

The most dramatic factor in this story is that most of the countries that have suffered colonialism have not measured the severity of the situation. Independence is not limited to a struggle for the liberation of the territory, the seizure of power by the liberators, the erection of monuments to the memory of the dead for the country. It would have been necessary to undertake a serious and thorough reflection on the disasters of colonialism coming under the immaterial beyond the material goods pillaged and the wealth dissipated.

These countries today pay the high price for neglecting the social sciences beyond the economic question. The use of quantitative and statistical methods should not be an end in itself, it must help to deepen the knowledge of societies with their victories and disappointments, their successes and failures, their advantages and disadvantages, to take their destiny in hand independently of any preconceived judgment and any dogmatic consideration that moves away from the real to the benefit of a nostalgic posture on a supposedly idyllic past.

¹⁰ Académie française, was officially established in 1635, is the pre-eminent French council for matters pertaining to the French language.

CONCLUSION

One of the major interests of this study is to provide an analytical framework for the perception of the practices that are associated or refers to Islam, beyond the “*Islam / West*” dichotomy affording support to the fuzzy thought and maintains the received ideas.

The study of the multitude of transcriptions and cognitive perceptions of the notion of *Zakāt* revealed that the bottom of misunderstanding is not a lack of knowledge, but a lack of interest in knowledge carried out without subjective or arbitrary opinions. Hence the interrogation: Is it possible to know so little about the *Zakāt*, when there is a mass of objective knowledge not negligible about it? This has led to the necessity of distinguishing between the existence of the object, its cognitive perception, and the way of knowing it.

The analysis of the colonial literature revealed the assimilation of the *Zakāt* to a tax financing the resistance of the Emir Abdelkader, emblem of the Algerian resistance to the French conquest. This colonial propaganda made it possible to justify the administration of the *Zakāt* by the conqueror, his recovery in cash under the ordinance of January 17, 1845, constituting the system of public finances of Algeria. The Orwell's problem becomes fully apparent in this case without comment.

Through such a decision, which seemed a mere technical procedure, the colonizer committed one of the most abominable crimes against humanity by denying for the natives the right to have a world view other than his own and the freedom to adopt their proper way of life, beyond the murders committed, the suffering caused, the wealth spoiled. What is good for a country is not necessarily good for others, regardless of the material progress achieved. The civilization consists in giving people the means to build themselves according to their own

aspirations, not to enslave them to technology. This poses a problem of ethical responsibility to which little attention has been given.

The *Zakāt*, far from being a simple technical procedure or a simple moral precept subject to political and financial power games, conveys a vision of the world, of man and of life in society. As long as this multidimensional aspect is not taken into account, the *Zakāt* will continue to be the object of political and financial instrumentalisation even in the postcolonial era. Are the *Zakāt* funds not invested in entrepreneurial projects in the form of an interest-free loan repayable to improve the image of certain ministries of religious affairs? Institutionally, is not the *Zakāt* considered as an institution of Islamic social finance or of the non-banking financial sector?

The study recommends exploring the transcriptions and cognitive representations of the *Zakāt* in literatures written in other languages, including Spanish, Italian, German, English and American literatures.

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ACKNOWLEDGEMENT

This study is funded by the Chair of Dr. Abdulhadi H. Taher for Studies of Fiqh and Accounting of Zakāt, Faculty of Economics, Jeddah, King Abdulaziz University, Saudi Arabia.

APPENDIX

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Socio-demographic and Economic Factors Affecting Regular Charity-giving: a Case of Low-income Households in Indonesia

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ABSTRACT

A Muslim is encouraged to do charity for the blessings and rewards from Allah subhanahuwata'ala, not limited to low-income households. Some social finance institutions have been encouraging their zakat and infaq recipients, along with empowering programmes, to gradually give away a portion of their income as charity to the institutions; thus, it would be circulated among them. It is necessary to identify what factors influence them in regularly giving charity. Questionnaires were distributed to 1780 respondents from six areas in the west, middle, and east of Indonesia. By employing logistic regression, results show that determinants affecting regular charity giving of low-income households in Indonesia are employment status, household size, portion of charity per income, expectation of future economy, income, religious activity, and type of financing institution. Many Islamic economic researches have looked at compulsory charity, that is, zakat, and waqf topics, but none of them has covered voluntary monetary charity giving of low-income households in Indonesia. This research tries to fill the gap.

Keywords: charity giving, low-income households, Indonesia, social finance

INTRODUCTION

Giving charity is encouraged to gain the blessings and achieve the rewards from Allah subhanahuwata'ala for a Muslim (Qur'an, 2:261; Hafidhudin, 2007, p. 13; Qur'an, 12:88; Zulfikar, 2011, pp. 295-296). The Qur'an has clearly stated that charity is not the exclusive privilege of high-income households, those who are in severe condition are entitled to this opportunity as well (Qur'an, 3:133-134; Zulfikar, 2011, p. 111). This idea is challenging the common thinking that the low-income households would consider charity as a burden.

Looking at the trend of charity collection (excluding zakat) by the National Board of Zakat of Indonesia (*BadanAmil*

Zakat Nasional abbreviated as BAZNAS), Table 1 indicates that it frequently fluctuates. The highest charity collection occurred during the period of 2005-2006. It was when various natural disasters took place in Indonesia. However, it fell down during the 2007-2008 global financial crisis. Charity collection started to increase again in 2009, when earthquake destroyed Padang (Beik, 2013).

Over several years, growth in charity collection has declined as indicated in Table 1. On an average, the charity growth is 4.3%, included in 2005, and 0.76% in 2005 were being excluded. If a linear trend of charity growth rate is constructed, it actually shows a declining trend. This, however, does not mean that the charity amount decreases. The

nominal amount may increase, but its increasing rate is smaller over time.

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Charity Amount via BAZNAS

Years	Charity (in Rupiah)	Growth (%)
2001	34,087,961.29	
2002	241,844,931.33	6.09
2003	483,372,351.00	1.00
2004	598,055,649.00	0.24
2005	28,589,846,396.00	46.80
2006	11,942,688,769.00	(0.58)
2007	2,072,271,581.00	(0.83)
2008	2,230,150,821.00	0.08
2009	5,566,181,752.00	1.50
2010	3,127,314,375.00	(0.44)
2011	7,043,635,094.00	1.25
2012	9,805,812,317.00	0.39
2013	6,736,972,479.00	(0.31)
2014	11,505,498,847	0.71
Total	78,472,234,476.62	

Source: BAZNAS (2015a)

One clear distinction between charity and *zakat* is that *zakat* is obligatory upon Muslims as it is one of the pillars of Islam. If *zakat* is levied on those whose income has exceeded the *nisab* (a threshold amount of *zakat* payer's income), charity can be contributed by anyone, regardless of his/her income. Another distinction is that *zakat* recipients have been stipulated in the Qur'ān Surah at-Taubah, verse 60. They are the poor (*fakir*) and the needy (*miskin*), *zakat* administrators (*amil*), those whose hearts have been (recently) reconciled (*mu'allaf*), those who are in bondage, in debt, in the cause of Allah, and the wayfarer. Meanwhile, charity recipients can be anyone that may include a non-Muslim as well.

The *mustahiks*' (zakat beneficiaries) mindset is fortified in managing their finance. When they receive zakat fund for productive scheme (that is, capital fund), they are encouraged to give away some money from what they have circulated. Hence, it is essential to identify what determinants influence them to give charity regularly.

LITERATURE REVIEW

Fraser Institute has conducted some researches in determining factors influencing charitable

giving among Canadians and Americans. Lammam and Gabler (2012) reviewed the researches and found that one of the factors influencing charity giving is education. A higher income is earned by those with higher education background. Consequently, they contribute more to charity than those who attain lower education. Pharoah and Mckenzie (2013) found the same result.

In terms of age group, middle age workers (35-55 years old) have less available funds for charities due to obligations that must be fulfilled are more than those borne by another age group (Lammam & Gabler, 2012). The obligations include caring for dependents and paying off home and car loans. They weigh more heavily during this stage. However, it is believed that older people are more likely to contribute their lives to serve other people since they were busy enough in their younger age (Pharoah & Mckenzie, 2013). Therefore, the older the age group, the more likely they give charity regularly than those who are younger.

This study uses a combined threshold. The age of 45 is taken from the mean of approximate middle age workers' range of 35-55 years old. Older people (above 45 years old) are hypothesized to contribute more regularly to charity than those who are younger.

Married people are believed to have more external locus of control. The situation may bring them into a certain behavior. This behavior may lead to the intention of either being more caring about others or focusing on their family which results in lessening their care for others. However, Piper and Schnepf (2008) found that the number of donors was similar between single and married people. As for the amount given, married people tend to give more than single ones.

The more dependents a household has to take care of, the less likely for them to give charity regularly (Lammam & Gabler, 2012). It is because the burden is much higher. The Indonesian government has set a program for families of four: parents (husband and a wife) and two children. Other than the nuclear family, a household head may take care of at

least one parent or other persons living in the house. In this case, the study chooses to have a threshold of four members in a household as Statistics Indonesia (*Badan Pusat Statistik* abbreviated as BPS, 2014) has suggested (3.9 members to be precise). Therefore, if the size of household is more than four members, the household is less likely to give charity regularly.

Respondents are segregated into employed: either employed by others or self-employed (Pharoah & Tanner, 1997) and others (including those who are unemployed, or have unstable job, moving from one job to another within a week). Employed people should have more money than the unemployed. Thus, those who have a job are expected to regularly give charity. Meanwhile, the unemployed may give charity but not as regular as those who are employed (Schervishet *al.*, 2002; Pharoah & Mckenzie, 2013).

Based on charity data collected by BAZNAS, Jakarta people are more likely to be involved in direct philanthropy activities rather than passing the donation money through formal institutions (Arsyianti & Kassim, 2016). Meanwhile, the people from outside Jakarta would be more involved in indirect philanthropy activities via charity organizations. Charity organizations are assumed to have more manageable and regular timetable in philanthropy activities. Thus, it seems that those people are more likely to give charity regularly. Meanwhile, in a study by Pharoah & Mckenzie (2013), Scotland and Northern Ireland households are most likely to donate to charity, while the West Midlands are least likely to donate.

The burden of charity in their income can be a determinant influencing low-income households in regular charity giving. The higher the burden, the less likely they give charity regularly. The opposite side may say that giving little but continuously would greatly benefit, instead of one big contribution only done once in a lifetime. Piper & Schnepf (2007) found that the more number of charities, the less amount of charity given. The study assumes that more charities can be

depicted through frequently. The threshold is taken from a minimum percentage charity required by Islam, that is, 2.5%, which is the percentage of zakat when applied on eligible Muslims. Those who give charity from their income of less than 2.5% are more likely to give charity regularly.

Optimistic people are more likely to give charity than those who are pessimistic (Bekkers & Wiepking, 2007). Pessimists would tend to fulfil their needs since it is never enough for them, thus it would never be enough for others too due to lack of "awareness of need" (Flores, 2013). Unconcerned households are expected to give charity on a regular basis. Also, from the economic perspective, financial improvements might not be realized due to various possibilities such as economic and financial shocks, but rather financial optimism toward future economic condition (Arsyianti & Kassim, 2015).

The greater the income, the more likely low-income households give regularly charity since they have ample money compared to those who have lower income as stated by Lammam & Gabler (2012). By not having enough money, those with lower income will find it difficult to find ways in giving charity frequently. The threshold of 80 US dollars per day is based on preliminary survey that the median income of samples is 80 US dollars per month.

In terms of measuring poverty, material aspect may not the only way to indicate poverty. A study done by Beik & Arsyianti (2016) finds that though material poverty can be reduced by the zakat program; however, a zakat recipients' spiritual aspect fail to be upgraded. In fact, the results show that their spiritual poverty is increased. It indicates that their spiritual condition is decreasing. As consequence, program's initiator should pay more attention to upgrade the recipients' spiritual condition, besides, material aspect which so far has been concerned by them.

Religious belief and religion motivate households in the UK to give charity (Pharoah & Mckenzie, 2013; Wright, 2001). This study

uses the indicator of performing prayer five times a day, since it is one of the pillars of Islam and it prevents the observers of prayer from withholding goods (being stingy) as mentioned in Qur'ān 70:19-23.

Piper & Schnepf (2007) also found that on average, men give more charity than women. When the frequency of charity giving is high or when the number of recipients of the given charity is quite large, women tend to share smaller amount of money in each donation.

Mushlihah (2016) found that financing from formal *amil* institutions increases the spiritual score for charity. This was encountered when the *mustahik* were taking financing from formal *amil* institutions. Therefore, those who deal with formal financing institutions are more likely to give charity regularly than those who do not deal with such institutions.

Schervish, O'Herlihy & Havens (2002) found that individuals were more likely to give directly to recipients of donor funds. They also gave donations mostly because of religious purpose. Secondly, they gave charity due to education perseverance. Furthermore, owning a house could be a symbol of wealth (Bekkers & Wiepking, 2007). Homeowners were more likely to give more charity than those who do not own it.

Just like consecutive debt-taking behavior, charity-giving behavior can be influenced by financial education because it can be categorized under financial behavior (Lyons *et al.*, 2006; Martin, 2007; Hogarth, 2006). Halim *et al.*, (2001) studied the financial education programs launched by financial institutions through trainings and publications. Meanwhile, Mandell & Klein (2009) found that the youngsters are too young to be given financial education.

METHODOLOGY

Data are gathered from BAZNAS and DompethDhuafa zakat and charity fund recipients. It is collected from six areas representing west, middle, and east part of

Indonesia. Around 1800 questionnaires were distributed, but only 1780 of them are feasible to be analyzed. Data are analyzed by employing logistic regression method. Therefore, software SPSS 17.0 is utilized for running the data.

The dependent variable is a stance of whether respondent give charity regularly or not in monthly basis. The independent variables are the socioeconomic demography factors with metric data. There are fifteen factors, namely, education, age, marital status, household size, employment status, origin, charity per income, expectation of future household's (domestic) economy situation, income, religious activity, gender of the head of household, financing institution, charity institution, home ownership, and financial education. All are in the metric data type. Therefore, logistic regression is fit to this kind of data.

The basic representation of the linear regression model is shown by the following general equation:

$$E(Y | X) = \beta_0 + \beta_1 X \quad (1)$$

$E(Y | X)$ = conditional mean
 Y = dependent variable
 β_i = coefficient
 X = predictor/explanatory/independent variable

According to Abduh *et al.* (2012), the dependent-independent relationship is expressed in probability (p) function as follows:

$$\log\left(\frac{p}{1-p}\right) = [a + b_1 X_1 + b_2 X_2 + \dots + b_{12} X_{12}] \quad (2)$$

Where

$$p = \exp[a + b_1 X_1 + b_2 X_2 + \dots + b_{12} X_{12}] / (1 + [a + b_1 X_1 + b_2 X_2 + \dots + b_{12} X_{12}]) \quad (3)$$

Binary logit has an objective to maximize the log-likelihood in which the log-likelihood denotes how likely it is (the odds). The observed value of the dependent is predicted from the observed values of independents. The values vary from 0 to minus infinity. Significance finding shows that it rejects the null hypothesis (H_0) if all predictor effects are

zero. In other words, at least one predictor is significantly having a relationship with the dependent variable. A non-significant likelihood ratio test indicates that there is no difference between the full and the reduced models (H_0) (Hosmer & Lemeshow, 2000).

The odds ratio is defined as a natural log, e , to the exponent, b (estimated parameter), it is denoted by $\text{Exp}(b)$. If it is greater than 1, it implies that the independent variable increases the logit, thus increasing the odds. If it is equal to 1, the independent variable has no effect toward the dependent variable. If it is less than 1, the independent variable decreases the logit and so decreases the odds.

Interpreting logit model is slightly different from ordinary least square model (OLS). The estimated coefficient produced in this model represents the change in log odds due to the change in a unit of predictor. This can be seen when the researcher simulated the model to measure the effect size. In logit model, not only the log-odds that is interpreted by the researcher but also odds ratio as

presented in equation (6). The change in odds ratio represents the difference between two groups in each predictors.

Logistic variable is used to answer the research question: what are the determinants influencing low-income households in regularly giving charity?

In this model, the dependent variable is regular charity giving. It is denoted with 1, indicating “yes” that the respondent does it, and 0, indicating “no” that the respondent does not do it. Meanwhile, the exploratory or independent variables consist of education level, age, marital status, number of dependent(s), employment, province of origin, religious activity, gender of household head, charity per income, future expectation of domestic economy, institution to whom respondents give charity, home ownership, income, and financial education level. Basically, the demographic variables are slightly the same as the ones used for the previous question. There are some adjustments in terms of coding according to literature.

Table 1 Independent Variables of Regular Charity-giving Behavior

Variables	Definition	Coding
Education	Education group of household head	1 = high school and above 0 = less than high school level
Age	Age group of household head	1 = 45 years old and above 0 = younger than 45 years old
Marital status	Marital status of household head	1 = married 0 = not married
Household size	Number in household	1 = less than 4 0 = 4 and more
Employment status	Employment status of household head	1 = having regular working hour, employed by government, private or self-employed 0 = unemployed or not having regular working hour
Origin	Origin of household head	1 = from small towns 0 = from big cities
Charity per income	Amount of charity per total income of the household	1 = less than 2.5% 0 = 2.5% and more
Expectation of future household (domestic) economy situation	The expectation of household head regarding his/her economy condition in the future, whether he/she is optimist (do not worry) or pessimist (worry)	1 = do not worry 0 = worry
Income	Take home pay income per month	1 = USD80 and more 0 = less than USD80
Religious activity	Perform five times daily pray	1 = yes 0 = no

Gender of the head of household	Gender of household head	1 = male 0 = female
Financing institution	The majority of debt taken from	1 = informal 0 = formal
Charity institution	To whom respondent give regular charity	1 = informal (direct, temporary charity committee) 0 = formal (LAZ and BAZNAS)
Home ownership	Status of current house where the household dwells	1 = own 0 = rental
Financial education	Household head has ever got all, any or one of the financial education materials through training or seminar or workshop or counselling or course.	1 = yes 0 = no

Therefore, the second model that was tested is as follows:

$$\ln \left[\frac{P_1}{1-P_1} \right] = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + b_9X_9 + b_{10}X_{10} + b_{11}X_{11} + b_{12}X_{12} + b_{13}X_{13} + b_{14}X_{14} + b_{15}X_{15} \quad (4)$$

Where:

- P_1 = Probability of regular charity-giving
 $1-P_1$ = Probability of not giving charity regularly
 b_0 = Constant or intercept of the model
 b_i = Coefficient of variable-i
 X_1 = Education
 X_2 = Age
 X_3 = Marital status
 X_4 = Household size
 X_5 = Employment status
 X_6 = Origin
 X_7 = Charity per income
 X_8 = Expectation of future household's (domestic) economy situation
 X_9 = Income
 X_{10} = Religious activity
 X_{11} = Gender of the head of household
 X_{12} = Financing institution
 X_{13} = Charity institution
 X_{14} = Home ownership
 X_{15} = Financial education

RESULTS AND DISCUSSIONS

Respondents are dominated by those with low education, 45 years old and above, married, with bigger-sized families, unemployed, from small towns, lesser portion of charity per income, pessimistic, less than one-million-rupiah income, perform five times daily prayers, male, getting source of financing and giving charity from and to informal institutions, home owners, have never received financial education in their life, taking debt consecutively, yet give charity regularly.

The model also uses 15 variables provided in the questionnaire. The independent variables are (A1) education; (A2) age; (A3) marital status; (A4) household size; (A5) employment status; (A6) origin; (A7) charity per income; (A8) expectation of future economy condition; (A9) income; (A10) religious activity; (A11) gender; (A12) financing institution; (A13) charity institution; (A14) home ownership and (A15) financial education. Meanwhile, dependent variable is (A17) regularly giving charity.

Table 3 Variables in Logistic Regression Model for Regular Charity-giving

Variables	Coefficient	p-value	Odds
A1 (education)	-.203	.109	.816
A2 (age)	.114	.337	1.121
A3 (marital status)	-.147	.398	.864
A4 (household size)*	-.391	.001	.676
A5 (employment status)*	.461	.000	1.585
A6 (origin)	-.075	.598	.928
A7 (charity per income)*	-.536	.000	.585

A8 (expectation of future economy)*	.775	.000	2.171
A9 (income)*	.599	.000	1.821
A10 (religious activity)*	.969	.000	2.636
A11 (gender)	-.151	.274	.860
A12 (financing institution)*	-.409	.001	.664
A13 (charity institution)	.412	.163	1.510
A14 (home ownership)	.106	.406	1.111
A15 (financial education)	.058	.688	1.060
Constant	.002	.997	1.002

Notes: *significant at 1% Type I error

Hosmer & Lemeshow's test gives a 15.393 chi-square score for this model with 0.052 p-value, which is more than 5% and indicates that the model is fit. Cox and Snell's R Square and Nagelkerke's R Square show 0.155 and 0.217 values, which suggest that between 15.5% and 21.7% of variability is explained by this set of variables. Apparently, household size (A4), employment status (A5), charity per income (A7), expectation of future economy (A8), income (A9), religious activity (A10), and financing institution (A12) significantly drive respondents to give charity regularly.

Households with four or more members in the house are more likely to give charity regularly, 1.479 times than smaller families. Meanwhile, employed respondents with regular working hours, either employed by the government, private enterprises or self-employed are more likely to give charity on a regular basis than unemployed ones (1.585 times). Higher-income households are also reported to give charity regularly more than lower income households (1.821 times). The situation implies that firm and stable households are more likely to give charity regularly.

Optimistic households are found to give charity regularly 2.171 times more than pessimistic households who worry about future economic condition. Those who perform five-time prayers a day are also significantly proven to give regular charity more than those who do not perform five daily prayers (2.636 times). A higher portion of charity per income also denotes more regular charity giving than lesser portion (1.709 times). However, respondents who get external fund from formal financing institutions are more likely to give charity

regularly than respondents who get it from informal sources. The equation for this model is shown in the following formula.

$$\text{Log (p/(1-p))} = 0.002 - 0.391A_4(1) + 0.461A_5(1) - 0.536A_7(1) + 0.775A_8(1) + 0.599A_9(1) + 0.969A_{10}(1) - 0.409A_{12}(1)$$

Simulation result shows that the highest probability of giving charity regularly (94.25%) is reached when respondents are employed, optimistic, having higher income, and perform five daily prayers, while the lowest probability (20.91%) occurs when respondents have smaller size family, less portion of charity over income, and informal source of financing.

CONCLUSION

Charity-giving topic has been elaborated especially when in developing countries and low-income households. Many Islamic economic researches have looked at compulsory charity, that is, *zakat*, and *waqf* topics, but none of them has covered voluntary monetary charity giving of low-income households in Indonesia. As a body of knowledge, this research gives solutions to low-income households, as well as an alternative topic to be discussed by academicians.

Bankers, microfinance practitioners, and poverty alleviation activists may also execute the idea of refining behaviours of low-income households through financial education. These professionals have a strong connection with financial customers who they deal with in daily activities. Financial

institutions are the most preferred partners to execute financial education. Even though the most preferred place is in formal education institutions, they can support the event by providing human resources, supportive funds, and media of promotions.

Islamic social finance institutions, such as BAZNAS and DompotDhuafa, can also embrace these results. Moreover, these institutions are struggling with financial education in order to refine financial behaviours of low-income households. Distributing funds are always a challenge for these institutions since the zakat fund has to be fully distributed within a stipulated year. Starting a program does not guaranty its successes unless other supportive elements contribute as well. Supportive actions by low-income households are highly reliable. Many of them are considering financing funds from Islamic social finance institutions as a gift that does not need to be repaid nor circulated as productive asset. Consequently, some programs have ceased to be perforce. Therefore, effective action for refining low-income households' financial behaviours is highly needed. This research attempts to fill the gap.

This study is also limited to low-income households. In order to strengthen the analysis, comparing high and middle income population may help future research to be more rigorous. High and middle income may be defined as *muzakki* since in this study the low-income households are those with *mustahik* status.

Furthermore, even though BAZNAS and Dompot Dhuafa are the largest players in social finance in Indonesia, prospective respondents are also available in connection with other institutions to give more variation. Especially, it is found that type of financing institutions affects regular charity-giving behaviors.

Finally, smaller-sized family, less portion of charity over income, informal source of financing, unemployed, pessimistic, having lower income, and perform less religious activity low-income households are

potential target for financial education to refine the behavior of giving charity regularly.

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Identifying Factors Alleviating Poverty: Experience from Malaysian Zakat Institutions

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ABSTRACT

A major challenge for zakat institutions is to identify ways to alleviate poverty. Thus, it is essential to determine factors that influence the incidence of poverty. Determinants of poverty can be used by zakat institutions as a guide by zakat authorities as to draw guidelines and programs to alleviate the poor. The objective of the present paper is to identify the determinants of poverty from the perspective of poor zakat recipients in Selangor, the most populated Muslim state in Malaysia. Using the Had Kifayah method, which is based on maqasid al-shariah principles, the study would outline factors that can be used as a guideline to fight poverty. The present study employed a dataset derived from a survey consisting of 258 head of household heads of low-income group in the state of Selangor, the most populated state in Malaysia. The multiple linear regression (MLR) analysis revealed three factors that influence poverty in this study, namely, unemployment of household heads, non-working household adults and inability to obtain permanent jobs.

Keywords: Poverty, measurements, zakat organizations

INTRODUCTION

In Islam, poverty is regarded as a disaster, considered undesirable and a serious economic problem. Dogarawa (2003) summarizes poverty as a disaster and a serious problem. Islam advocates that it is essential to seek refuge from it and to fight it. Based on this concept, Islam stresses on a man managing his financial life, and emphasizes on setting up a fair economic system, based on the belief in a man's lawful right to satisfy his natural needs. Muzammil (1995) argues that the conventional definition of poverty from the monetary perspective is unable to capture the attainment of social services, health care,

and education. Peerzade (1997) concurred that the Islamic approach as providing provision to enable the poor to enjoy a reasonable standard of living beyond the basic needs of life.

The objective of the present paper is to identify the determinants of poverty from the perspective of poor zakat recipients in Malaysia. Using the *had- kifayah* (HAK) method, which is based on maqasid al-shariah principles to measure poverty, the study would outline factors that can be used as a guideline to fight poverty. This paper is organized as follows. The next section outlines the literature review, whereas the methodology undertaken in this study is deliberated in section 3. Section 4 present

the findings of the study. Finally, the conclusion of the study is highlighted in section 5.

LITERATURE REVIEW

Poverty Measurement

One of the principles of zakat distribution by some zakat institutions is that the identification of poor is based on *had-kifayah* (HAK). HAK is the sustainable needs level according to Islamic principles, that is, the amount needed by a household to fulfil their basic needs in accordance with the *shariah* point of view (Razizi *et al.*, 2017). The term “basic needs” is inclusive of the following six aspects of life: housing, food, clothing, medical, education (both the worldly and spiritually), and transportation. The level of HAK is important so that zakat organizations will be aware of how much zakat assistance and distribution should be given to a family (poverty gap) to fulfil their basic needs and separates between the payer and recipient of zakat (Azman, 2016). In other words, HAK is used to determine whether a household is poor or not (Possumah, 2016). The HAK method was adopted as it was seen as an alternative poverty measurement to the conventional poverty line Income (PLI) method. In general, PLI is the minimum level of income needed by a household to fulfil food and non-food needs (Mansor *et al.*, 2013). In contrast, HAK is a decent standard of living needed by a household to perform daily needs as mentioned by Nurul Afifah *et al.*, (2015) and Sarah *et al.*, (2015). It goes beyond the minimum standard of living of households and is based on time and location as mentioned by Al-Qardhawi (2000), Mansor *et al.* (2013), and Al-Fanjari (2010).

Malaysian department of Zakat, Waqaf and Hajj (JAWHAR) in the Prime

Minister’s Department outlined the main components of the HAK of a household as comprising shelter, food, health, education, and transportation based on *maqasid al-shariah* (objective of the religion) principles. Household needs are calculated according to different category of households. Household members are categorized according to their status and age group, namely, working parents, unemployed adults over 18 years old, children within the 7-17 age group, and children within the 1-6 age group. The total needs of the household are then calculated. If the total income of the household is less than the total needs, then they are considered poor and are eligible for zakat funds. In addition, if there is any situation such as households with a disabled member or households with chronic sickness, the total HAK increases. The HAK determines the level of necessities needed by a household to sustain their daily needs (Mansor *et al.*, 2016). It is calculated based on various variables such as the number of members in a household, the age group of household members, and so on. The HAK in this study is adopted from Lembaga Zakat Selangor (LZS), the highest zakat collector in Malaysia as shown by Table 1.

The formulation of HAK differs between states in Malaysia as each zakat institution has its own guidelines suited to each state (Azman and Tengku Mansur, 2017). Although the components of the HAK are similar across the states, the figures of *kifayah* (needs) differ as the cost of goods and services varies from one location to another (Farid, 2010). Household members are categorized according to their status and age group, namely, working parents, unemployed adults over 18 years old, children within the 7-17 age group, and children within the 1-6 age group. From the table, it is obvious that the necessity level of this example is RM 1650, with both, the husband and wife working, an unemployed

member of family above 18 years old and one school-going child within the 7-17 years old age group and one child within the 1-6 years old age group. Thus, if the total income of the household is less than this calculated figure, then they are considered

Table 1 Had al-Kifayah Determination of a Household by LZS

Category of Household	Rate of <i>had al-kifayah</i> (RM)
Head of household	680
Shelter	260
Food	140
Clothing	50
Medicare	50
Transportation	180
Working adult	420
Food	140
Clothing	50
Medicare	50
Transportation	180
Child within 7-17 years old age group	180
Shelter	30
Food	50
Clothing	50
Medicare	40
Transportation	10
Child within 1-6 years old age group	130
Food	30
Clothing	50
Medicare	50
TOTAL	1650
Additional <i>had al-kifayah</i> (special case)	
Disabled	200
Childcare	190
Household with chronic disease	200
TOTAL	590

Source: Lembaga Zakat Selangor (LZS)

Determinants of Poverty

In this section, we are interested in ascertaining the factors that have a significant association with the poverty status of a household. Shirazi (1996) explored the role of *infaq*, an Islamic voluntary tool, where wealth contributes to

poor and are eligible for zakat funds. In addition, if there is any situation such as a household with a disabled member or household with chronic sickness, the total HAK or necessities of the household increase.

the public determination of the poverty status of a household in Pakistan. For this objective, he explored the role of *infaq*, household size, the educational level of the head of the household, the number of earners in the household, and the province the household belongs to in order to evaluate the role of different characteristics that determine the poverty status of a household. His results show that there is a lower probability of poverty for households that live in provinces other than Punjab. As the education level of the head of household increases, the probability of the household being poor decreases. The coefficients of *infaq* are negative, which means that with the increase of *infaq*, the probability of a household being poor decreases. Households with 2 or 3 earners or with 4 earners and more have a lower probability to be poor. On the other hand, as the household size increases, the probability of the household being poor increases.

Anand (1977) came up with another method for determining poverty by presenting the poverty determinants in terms of a profile of poverty. It is interesting to note that Shireen (1998) also developed a poverty profile in her study to determine which factors seem to influence poverty. Shireen (1998) estimated various regression equations, each using poverty incidence as the dependant variable. The explanatory variables are the percentage contribution of agriculture to GDP, the labour productivity in the agricultural sector, and the average number of years of schooling. Her results showed that the average number of years of schooling has the strongest relationship with poverty. This suggests that an additional

year of schooling reduces the incidence of poverty by 8%. Shireen concluded her study by suggesting that poverty is a rural and agricultural phenomenon in the Malaysian scenario.

Tamura (2003) noted that there are at least three reasons to pay particular attention to the rural poor. First, they consist of the majority of low-income groups in many developing countries. Second, the geographical characteristics of a location seem to influence the prosperity of its residents. Third, there have been signs of widening inequality within the rural sector. Rupasingha and Goetz (2007) analyzed an expanded set of determinants of poverty, namely, factors related to economic, social, and political influence using spatial data analysis techniques. Social capital, ethnic and income inequality, local political competition, federal grants, a foreign-born population, and spatial effects were found to be important determinants of poverty in the US, along with other conventional factors.

In a study on the determinants of poverty in Mexico by Rodriguez *et al.* (2010), it was found that the high poverty rates prevalent in Mexico are a reflection of both low income and unequal income distribution. The results of the average intertemporal income of household analysis based on ENNVIH (The Mexican Family Life Survey) dataset give the following findings:

1. Poverty is related positively to household size, the number of illiterate adults in the household, and the location of the household.
2. Poverty is negatively related to the educational level of the household head, household wealth, urban residence in a place with more than 100,000 inhabitants, and the household head being age 60 and older.

A study conducted by Awans and Iqbal (2010) using socioeconomic analysis shows that education, family size, nature of occupation, and public amenities play an important role in poverty alleviation. The incidence of poverty is highest among the daily wage workers and lowest among government employees. The results also show that education, experience and public services are negatively related with the poverty status of individuals. Moreover, the results show that public service availability is also very essential for poverty reduction. It is actually beyond doubt that proper service utilisation symbolizes the improved living standards of people.

Awan *et al.* (2011, 2012) investigated the relationship between different levels of education and experience on urban poverty in Sargodha, a medium-sized city in Pakistan, using a sample of 330 households. The results revealed that education and experience are negatively related with the poverty status of individuals, which implies that the education of the poor is necessary to break the vicious circle of poverty. Educational attainment and the number of children aged below five were the most significant determinants of poverty in the study conducted by Dartanto and Otsubo (2013) in Indonesia. These two factors are consistently significant in all three types of poverty, namely, absolute, relative and subjective poverty (an extension of multidimensional poverty).

From the discussion above, it has been observed that in order to identify the poverty factors, the concentration of poverty and the high-risk poverty groups, poverty maps, poverty determinants, and poverty profiles can be applied. It appears that some studies have used poverty maps (Ravallion, 1996; Geinneken, 1980), while others preferred poverty determinants (Shirazi, 1996; Shireen, 1998; Rupasingha and Goetz, 2007), and some others have used a poverty

profile (Anand, 1977; Shireen, 1998). All these terms are similar as they seek to identify the factors that influence poverty so

as to enable policy makers to design the most effective policies to address the issue effectively.

Table 2 Determinants of Poverty: Summary of Previous Studies

Factors	Researchers/Authors
Age of household head	Zin (2002); Rodriguez et al. (2010)
Household size or dependency ratio	Onn (1989); Shirazi (1996); Zin (2002); World Bank (2002); Harun (2007); Awan and Iqbal (2010); Rodriguez et al. (2010);
Gender	Choudhury (1995); Saidatulakmal and Riaz (2012)
Employment type	Amis (1995); Moser (1995); Tamura (2003); Awan and Iqbal (2010)
Educational attainment	Shirazi (1996); Amis (1995); Moser (1995); Onn (1989); Johari and Kiong (1991); Zin (2002); Harun (2006); Awan and Iqbal (2010); Rodriguez (2010); Awan et al. (2011); Saidatulakmal and Riaz (2012); Dartanto and Otsubo (2013)
Area/location	Aziz (1964); Anand (1983); Johari and Kiong (1991); Ariffin (1997); Rodriguez (2010)
Attitude/culture	Tsakloglou and Papadopoulos (1998); Laderchi (2000); Hanson (2007)
Other factors such as access to public services, amenities and health	Onn (1989); Johari and Kiong (1991); Shirazi (1996); Amis (1995); Moser (1995); Shireen (1998); Tamura (2003); Harun (2006); Rupasingha and Goetz (2007); Rodriguez (2010)

To overcome poverty, policies and programmes should be derived to address the poverty determinants of the present and also the potential poverty determinants of the future (Awan *et al.*, 2012). However, in the present study the notion of poverty determinants is chosen to suit its objectives. In summary, it can be concluded that researchers have identified factors such as the age and gender of the household head, household size, level of education, employment type, location or area of living, attitude, or culture and other factors such as access to public services and amenities as significant variables related to poverty, as shown by Table 2. Identifying these factors are essential as the authorities would be able to address the issue of poverty more effectively as mentioned in the report entitled State of the Nation 2014: Social Mobility and Child Poverty in Great Britain published by Social Mobility and Child Poverty Commission. The commission mentioned that the present young generation have better education level as compared to their parents. However, they are faring

worse in terms of employment, earnings, and housing facilities. In other words, determining of these factors are vital for the policy makers to draw appropriate measures to address poverty effectively.

METHODOLOGY

The monetary poverty measurement adopted in this study is based on the poverty gap approach with z as the poverty gap (HAK Sufficiency), z' as the adequacy of income, y as the household income, and k as the poverty line income or the necessities of the household, as explained by:

$$z = \{1 - (y / k)\} * 100\%$$

or

$$z' = (y / k) * 100\%$$

The monetary poverty measurement adopted in this study is based on the poverty gap approach, according to the HAK method with z as the poverty gap. The dependent

variables, HAK Sufficiency, which represent the HAK method was calculated by computing the difference between the household income and the basic needs outlined by the poverty line and the total necessities of the household, respectively. Alternatively, the concept of adequacy was also introduced to further explain the poverty gap. z' ; If z' is equal to or more than 100%, the household is not poor. If z' is between 50-99%, then the household is poor as it is unable to fully fulfill its needs. A

value of z' being less than 50% shows that the household is destitute as it is unable to fulfill even half of its needs. Multiple linear regression (MLR) analysis was then used to determine those independent variables that contributed most significantly to the prediction of the dependent. The independent variables included in the analysis were demographic variables, such as age, gender, and marital status of household heads. This is shown by the following diagram.

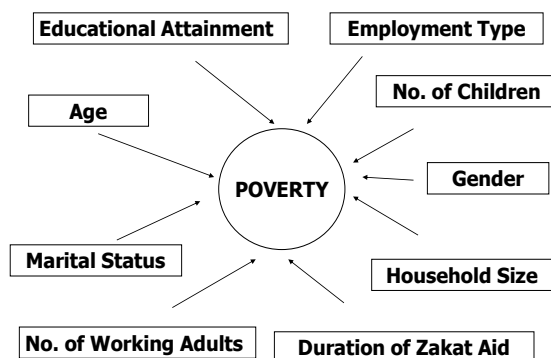


Figure 1 Determinants of Poverty

This quantitative research study consist of employed data derived from a random survey using proportionate random sampling comprising of low-income household heads in Selangor, the most populated state in Malaysia. These household heads were recipients of zakat aid in Selangor. A close-ended questionnaire consisting of three main sections was used as a research instrument to collect data from the respondents identified for this study. Section A obtained information about the head of the household, especially concerning demographic variables; section B consisted of a list of items related to living needs based on *maqasid al-shariah* principles; section C was comprised of items pertaining to household income. It is important to note

that the items in section B was primarily derived from the expert review sessions whereas items in section C were adapted from the following sources: (1) Household Expenditure Survey 2009/10 by the Department of Statistics, Malaysia; (2) Household Income/Basic Amenities Survey 2009/10 by the Department of Statistics; (3) *Bancian Isi Rumah Miskin Malaysia* (Poor Household Census in Malaysia) by the Prime Minister's Department. The expert review sessions were conducted with fourteen scholars with various backgrounds such as Islamic economics, religious studies, and social studies (to reduce biasness).

The dataset of 258 respondents of the study was run through Statistical Package for Social Science (SPSS). Besides

descriptive statistics and correlation analysis to present the poverty incidence in the present study, multiple linear regression (MLR) analysis was used to determine the contributions of each of the significant predictors or independent variables toward the variance in the criterion or dependent variable. This study used stepwise regression method to determine those independent variables that contributed most significantly to the prediction of the criterion variable. The independent variables included in the analysis were demographic variables such as age, gender, and marital status of household heads. It is also important to note that variables such as the no of working adults and the duration of receipt of zakat aid are the variables that were lacking in the literature. They consist of continuous and categorical type of data. Dummy variables were created for qualitative or categorical predictors. The MLR was used to explain the variability of the dependent variables. Equation (1) represents the multiple linear regression (MLR) model with twenty one predictors for HAK Sufficiency.

$$y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \beta_{14} X_{14} + \beta_{15} X_{15} + \beta_{16} X_{16} + \beta_{17} X_{17} + \beta_{18} X_{18} + \beta_{19} X_{19} + \beta_{20} X_{20} + \beta_{21} X_{21} + \varepsilon_i \dots \quad (1)$$

where

y = PLI Sufficiency and IPI

X_1 = Age

X_2 = Gender

X_3 - X_6 = Marital status

X_7 - X_{11} = Job status

X_{12} - X_{17} = Education level

X_{18} = Household size

X_{19} = Duration of aid

X_{20} = Number of children

X_{21} = Not working adult

ε is the model error estimated to be normally distributed with constant variance.

RESULTS & DISCUSSION

Descriptive Analysis

Table 3 shows that almost half of the respondents have income of less than RM1000. However, more than half of the households have the HAK line between RM1000 and RM2000. This explains that more than half of the respondents in the study are poor due to this factor as shown by Table 4. It is also obvious that only a small number of respondents are not poor due to the fact that only a small portion of households (2.7%) have income of more than RM3000. Thus, most of the respondents in this study were either poor or destitute as their adequacy levels of income were less than 100 or 50%.

Table 3 Monetary Variable Distribution

Range (RM)	INCOME (%)	HAK (%)
Less than1000	48.4	7.0
1000-2000	38	62.8
2001-3000	10.9	26.7
3001 and above	2.7	3.5

Table 4 Monetary Poverty

Adequacy Level of Income	HAK (%)
Less than 50% (Destitute)	28.3
50-99% (Poor)	59.3
100% and above (Not poor)	12.4

Multiple Linear Regression Analysis (MLR)

Based on Table 5 and Table 6, the regression analysis results show that the regression model is significant ($F(3, 247) = 6.648$, $p\text{-value} < 0.05$). The R-square of the model is 0.075. This indicates that three predictors (unemployed, people with permanent jobs, and non-working adults) can explain about 7.5% of the variation of HAK Sufficiency. It can be concluded that the HAK Sufficiency is about RM0.479 lower for respondents whose employment status is unemployed compared to other types of employment status, while the other

variables are held constant. Other than that, it is RM0.741 higher for respondents who have a permanent job compared to other types of employment status while the other variables are held constant. Besides, HAK Sufficiency increases when the number of non-working adults decreases while the other variables are held constant. However, age, gender (male), marital status (married, bachelor, widow/widower, divorced), household size, duration of aid and number of children failed to meet the selection criteria ($p\text{-value} > 0.05$).

Table 5 Summary of Regression Results ANOVA

Model 2(b)	Sum of Squares	df	Mean Square	F	Sig.
Regression	44.832	3	14.944	6.648	0.000
Residual	555.201	247	2.248		
Total	600.034	250			

Table 6 Summary of Regression Results R^2

Model	R	R Square	Adjusted R square	Standard error of estimates	Durbin-Watson
2(b)	0.273	0.075	0.063	1.49926	1.864

The final estimated model is:

$$\hat{Y} = 8.418 - 0.479 * \text{unemployed} - 0.233 * \text{non-working adults} + 0.741 * \text{permanent job}$$

Based on the model, the determinants of HAK Sufficiency are employment status (self-employed, permanent job, unemployed, pensioner, and part-time/contract), age and non-working adults. It can be concluded that the HAK Sufficiency is about RM0.48 lower for respondents whose employment status is unemployed compared other types of employment status while the other variables

are held constant. Other than that, it is RM0.74 higher for those with a permanent job compared to other types of employment status while the other variables are held constant. Besides, HAK Sufficiency increases when the number of non-working adults decreases while the other variables are held constant.

For HAK Sufficiency, permanent job, unemployed and non-working adult are

significant variables. However, permanent job is positively related while unemployed and non-working adult are negatively related. The coefficient for permanent job is 0.74, meaning that the poverty gap or HAK Sufficiency of the households whose head has a permanent job is RM0.74 more than those without a permanent job. This is because a household head with a permanent job is expected to have a higher income. In contrast, the HAK Sufficiency for a household with a household head who is unemployed is RM0.48 less than a household where the household head is employed. This could be due to the level of income being less than those who are employed. These findings are similar to studies undertaken by authors, such as Amis (1995), Zin (2002), Tamura (2003) and Awan and Iqbal (2012), who argued that a household with an unemployed household head would be positively correlated with the poverty gap. On the other hand, a household with an employed or a full-time employment household head would be less inclined to be poor. Another variable that is significant is related to HAK Sufficiency is non-working adult. However, the magnitude of the coefficient is only RM0.23, explaining that a household with non-working adult has a poverty gap of RM0.23 less than a household without a non-working adult as the amount of income is relatively smaller.

Scholars have stressed that there are many different factors that influence poverty. However, these factors differ according to countries, location, and area. In this study, issues pertaining to employment are obvious. Thus, the relevant authorities should take into consideration this matter in considering steps to overcome poverty among zakat recipients. It is essential to identify ways to address this subject as it would facilitate the policy makers in addressing poverty from the perspective of policy implications. For instance,

unemployment among adult household members is a common reason associated with poverty as revealed by this study. Given the importance of employment for poverty reduction, job-creation should occupy a central place in national poverty reduction strategies. Many employment strategies are often related to agricultural and rural development and include using labour-intensive agricultural technologies, developing small and medium-size enterprises, and promoting micro projects in rural areas.

As a conclusion, productive employment opportunities will have to contribute substantially to achieve the internationally agreed development goals, especially the Millennium Development Goal (MDG). There should be a focus on creating better and more productive jobs, particularly those that can absorb the high concentrations of working poor. Among the necessary elements for creating such jobs are investing in labour-intensive industries, especially agriculture, encouraging a shift in the structure of employment to higher productivity occupations and sectors, and upgrading job quality in the informal economy. In addition, there should also be a focus on providing poor people with the necessary skills and assets that will enable them to take full advantage of any expansion in employment potential. In the case of zakat recipients, these strategies should be formulated to transform them from receiving zakat to paying zakat in the long run.

CONCLUSION

There are two main issues that are highlighted by this study. Firstly, it is vital for Islamic institutions to devise appropriate poverty measurements such as the HAK method to identify the targeted poverty group. In other words, the proper targeted poor Muslims should be identified through

an appropriate poverty measurement. This is essential to maintain trust between the society, and these institutions as mentioned by Suhaib (2009) who stresses that ideal Islamic institutions, such as zakat organizations should be able to distribute zakat funds to appropriate recipients, especially the poverty groups. Secondly, zakat organizations and other related parties must show efficiency in the Muslim society in various ways such as the ability to reduce the poverty incidence of Muslims and providing efficient services to the potential recipients, and so on. Economists have highlighted the shortcomings in the effort to reduce poverty. For example, many strategies promote self-employment, non-farm employment in rural areas, targeted employment interventions, microfinance, and credit as means of employment generation, skill formation and training. However, these strategies often address the quantity of employment while the qualitative dimensions, such as equity, security, dignity, and freedom are often absent or minimal.

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Overview of Forecasting Zakat Collection in Indonesia Using Multiplicative Decomposition

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ABSTRACT

Social welfare can be achieved if high economic growth can reduce a country's poverty, accompanied by a decrease in the value of gini coefficient. Zakat is one of the primary instruments of economic philanthropy in Muslim countries, facilitating redistribution of wealth and income. Zakat potential in Indonesia has reached Rp 286 trillion, but the actual zakat collection only reached 3.7 trillion in 2015. This study aims to determine the following: (1) the forecasting of zakat collection in Indonesia based on the historical data for the next 5– 10 years or over time and (2) the system used by Muslim countries to collect zakat fund. This study used the multiplicative decomposition forecasting method with annually data collected over 2005-2015. The findings showed that zakat collection would be expected to reach about Rp 5.0 trillion in 2020. It is expected to increase to 8.33 trillion in 2029, with mean absolute percent error (MAPE) value as much as 0.18. Furthermore, there are different kinds of zakat systems used by Muslim countries. Indonesia uses the voluntary zakat system, which could affect the amount of zakat collection. The findings of this study are expected to inform policy makers regarding the management of zakat collection.

Keywords: Forecasting, Zakat Collection, Poverty Eradication, Multiplicative Decomposition

INTRODUCTION

Background of the Study

The welfare can be achieved if high economic growth can reduce a country's poverty, accompanied by a decrease in the value of gini coefficient. This notion was supported by Amartya Sen, who said that "development can be seen or perceived as a process of increasing human freedom to be real, so that people can live a more decent and prosperous" (Todaro and Smith, 2012).

If achieving national prosperity is a must, as mandated by the Constitution 1945 and Pancasila point 5, then attempt to realize these objectives become mandatory too. For example, improve the distribution of infrastructure development, the

distribution of wealth, and income (wealth does not rotate at a handful of people), as well as equal rights to access public services easily and cheaply. The Central Bureau of Statistics estimates the rate of poverty Indonesia was likely to be high, amounting to 10.86% (in March 2016) although it did show a downward trend during the previous period, similar to the gini index that remained high too, at 0.397 (in March 2016). Based on a survey of credit, Suisse reported that the 1% of richest people in Indonesia control as much 49.3% of national wealth. This was reinforced by the Indonesian poverty severity index, which was reported to be 0.44. It means that the higher index value, the higher the expenditure inequality among the poor. The most important condition to protect the spirit of society is

the absence of gaps between the classes of people. The elites and the common people should not be separated from each other until the point of “break up” (Kantarci, 2015).

Poverty is one of the main problems faced by Indonesia. Poverty substance is the lack condition of the resources to fulfill basic needs in the form of clothing, food, shelter, and basic education (Sudibyo, 1995). One instrument that can be used to redistribute wealth and income is zakat. Zakat is one of the primary instruments of economic philanthropy in Muslim countries. Zakat potential in Indonesia has reached Rp 286 trillion in 2015. This amount included potential zakat from various areas, such as zakat in households, private companies, state enterprises, as well as deposits and savings. However, there is still a significant gap between actual and potential zakat fund in Indonesia, because the actual zakat, alms, and sadaqah (ZIS) collection by all zakat institutions in 2015, which only reached Rp 3.7 trillion, which is less than 1.3% of its potential (The National Board of Zakat, 2017). Thus, good management is necessary to maximize the zakat fund so as to achieve its potential with the full support of various parties such as Zakat Board, scholars, community leaders, schools, and government agencies.

The important point to estimate the zakat potential collection to improve the management, so the study aims to know (1) the forecasting of zakat fund collection in Indonesia based on the historical data for the next 5 to 10 years or over time and (2) what system is used by Muslim countries to collect zakat fund?

LITERATURE REVIEW

Definition of Zakat

Zakat literally has been derived from the Arabic root word that carries the meanings

of “that which purifies”, as well as “that which fosters”, i.e., growth and increase (Siddiqi, 1968). *Zakat* represents one of the five pillars that constitute Islam. It is a *maaliyah ijtima'iyah* worship with a strategic and decisive position in the improvement of the welfare of the people. *Zakat* does not only serve as a vertical worship to Allah (*hablumminallah*), but it also serves as a form of horizontal worship (*hablumminannaas*) (Hidayati and Tohirin, 2010).

Zakat has been divided into two main items, which are zakat of *al-Fitr* and also zakat of wealth. Zakat of *al-Fitr* is the zakat that needs to be paid by Muslims once a year during the month of Ramadan before the Muslim festive season celebration known as *Eid Mubarak*. Zakat of *al-Fitr* is also being referred as a zakat of the body. For zakat of wealth, there are a few categories under it, including zakat of business, zakat of saving, zakat of income, zakat of gold and silver, zakat of poultry (for instance like cow, goat and so on), zakat of fruits and grain, zakat of entrenchment, zakat of investment as well as zakat of employees provident fund (EPF) saving. There are eight groups of people qualified to receive zakat, as mentioned by Allah in His Holy Quran (QS: At-Taubah: 60), including *al-Fuqara'* (needy/strained), *al-Masakin* (poor/deficient/lacking), *amil* (has right to collect zakat), *mualaf* (convert/reconciled to Islam), *al-Riqab* (slave), *al-Gharimin* (people in debt), *fi-sabilillah* (Allah's cause), and *Ibn as-Sabil* (traveler/wayfarer) (Lubis et al, 2011).

Time Series Data

Time series is a set of observations built sequentially in time. The time or period required to perform a forecasting is usually referred to as the lead times, which vary at each issue.

Time series is a series of observations taken by the order and adjacent observations are correlated, so it

is said that in the time series, each observation is taken from a variable correlated with the variable itself at an earlier time (Wei, 2006).

In forecasting, the value of a variable in the future must be considered and studied depending on the nature and development of the variables in the past. The value of variables can be predicted if the current and past values of the variables are known and the historical development of a variable can be evaluated and the order of values can be observed over time. This is called the time sequence of the time series; in other words, the time series is a series of observations of an event, where the occurrence, symptoms, or variables are recorded accurately in a periodic manner by the sequence of events and then compiled as data. The frequency of recording can be weekly, monthly, annually, etc.

Makridakis et al. (1999) showed that an important step in choosing an appropriate method of developing a time series is to consider the type of data patterns, so that the most appropriate method for the data pattern can be determined. The data pattern can be divided into four, namely (1) a horizontal pattern, it happens when data values fluctuate around a constant mean value; (2) the seasonal pattern, it occurs when a series is affected by seasonal factors (e.g., a particular quarterly, monthly, or days in a particular week); (3) the cyclical pattern, which occurs when the data is influenced by fluctuations in the long-term economy as it relates to the business cycle, for example in sales of products such as automobiles, steel, and others, (4), the pattern of trend, which occurs when there is an increase or decrease of a long-term secular in the data.

Forecasting Concept

Forecasting is estimation of what will happen in the future, while plan is determining what to do in the future

(Subagyo, 1986). To make a long-term plan, a company should consider the capacity, price elasticity, forecast customer demand, and so on.

According to Supranto (1984), forecasting is the making of assumptions regarding the occurrence of events in the future. Forecasting is to estimate something at those times that will come in the past based on the data analyzed scientifically, particularly using statistical methods. Forecasting is the art and a science of predicting events that might be encountered in the future.

Forecasting is a science to predict conditions or events that would occur with the use of historical data and project it into the future with some form of mathematical models. Two main aspects that must be considered in the forecasting process are accuracy and usefulness; in other words, using relevant data and appropriate forecasting techniques. Forecasting can be performed via various methods, and the choice of the method depends on the data and information that will be predictable and the objectives to be achieved (Makridakis et al, 1999).

In practice, there are various quantitative forecasting methods. First, Moving Averages either “simple” or “weighted.” Second, exponential smoothing is the method of forecasting by adding parameter (alpha) in the model to reduce the randomness of the factor. Third is trend projection. Trend projection with regression method is a method that is used both for the short term and long term. This method is a trend line for mathematical equations. In addition, there are other forecasting methods such as decomposition, ARIMA, and other forecasting methods.

In social life, everything is uncertain and regular estimations are difficult. Therefore, forecast is necessary. Forecasting is necessary to (1) minimize the effect of uncertainty, (2). forecasting aims to minimize forecast error, which measured by the mean squared error

(MSE), mean absolute percent error (MAPE), and others (Subagyo, 1986).

Previous Study

Some studies have been published on zakat with a wide variety of methodologies. Previous studies have shown that there are three researches about

forecasting zakat collection. However, forecasting research can help policy makers determine the extent of zakat potential can be achieved in the long term and as an evaluation of what should be done so that the total zakat potential can be achieved. Below is a summary of the zakat research as follows:

Table 2.1. The Previous Study

Name/ Year/ Title	Method & Result
Parisi (2017) Efficiency and Productivity of Zakat Institutions in Indonesia	DEA and Malmquist Productivity Index There are 5 DMUs that perfectly efficient (constant return to scale). Ten DMUs are classified to the increasing return to scale. Twelve DMUs are classified to decreasing return to scale. Furthermore, the lowest relative efficiencies level is DD (2010), amounting to 9.63%. In addition, approximately 80% of five OPZs increased the productivity. In general, the main factor of inefficient of five zakat institutions from 2005 to 2014 was caused by the distribution of zakat to ashnaf, which is still not optimal, since it cannot solve the poverty rate. Furthermore, it needs to increase collection and distribution of zakat fund amounted to 31.53% and 47.87%. Further, it needs to decrease the cost of socialization and operational cost amounted to 11.81% and 8.79%.
Akbarizan, Marizal, Soleh, Hertina, Abdi, Yendra, Fudholi (2016) Utilization of Holt's Forecasting Model for Zakat Collection in Indonesia	Holt's exponential smoothing and ARIMA model Results show that Holt's exponential smoothing best fits the zakat time series data and is therefore suitable for forecasting zakat. Holt's exponential smoothing is comparable to the ARIMA model, given its small deviations in mean absolute percentage error and mean square error. Moreover, the software used to implement Holt's exponential smoothing is similar to that used in ARIMA models. These similarities show that these models can accurately forecast future trends to prepare proper strategies and plan the future of the organization. These models can also be used to develop a plan for managing charity based on the number of recorded mustahiq.
Hamzah and Krishnan (2016) Measuring the Efficiency of zakat collection process using DEA	DEA-CCR Model The results revealed that the collection process was efficient in 2009 and 2012, with their respective efficiency scores equaling to one. However, further analysis revealed that 2009 had actually prevailed 2012 in the context of collection efficiency as 2009 was benchmarked more frequently than 2012, against the inefficient years. The other seven years were found to be inefficient since there were discrepancies between the amount of input (i.e., number of branches and staff) used and amount of output (i.e., total collections) produced. In addition, by further investigating the actual causes of inefficiency in each affected year, it was concluded that the main cause of inefficiency was due to excessive usage of staff for the collections that had been made. In other words, to sidestep the similar undesirable situation in the future, the

	management should consider using minimum possible staff for the purpose of collecting zakat or completely utilize the available staff to maximize the total collections. A more detailed research could be conducted in future where the efficiency in collection process is not only evaluated based a specific interval of time but also based on different branches where the result could be helpful in diverting the management's primary attention on the most underperforming branches. Further, future research could expand this study by applying a two-stage DEA model to compare the performance of Pusat Zakat Sabah in the context of both collection as well as distribution efficiency as to provide better hints to the management concerning the operation towards which major attention should be allocated for further refinement.
Ibrahim (2015) The Role of Zakat in Establishing Social Welfare and Economic Sustainability	Qualitative Method This study suggests that zakat should be institutionalized and properly managed by the Islamic states and various Muslim communities. The use of charity organizations will be helpful in places where there is no Islamic state. Similarly, local zakat committees should be constituted at the lower level; all zakat activities is to be overseen by the shariah committees who to be responsible for ensuring shariah compliance and avoidance of any misapplications. This use of electronic and print media, Muslim scholars and <i>Khateeb</i>s (religious scholars) may join hands to create awareness among people about the importance of zakat and its social, moral, economic and spiritual impact on the society.
Johari, Ali, and Aziz (2015) The Role of Zakat Distribution Among Muallaf (New Convert) in Reducing Poverty in Selangor, Malaysia	Regression Analysis, Primary Data. Results indicate that only family size, gender (male), income, and expenditure variables have a significant effect on zakat distribution, while age, status, race, previous religion, highest education, job, and region variables did not have any significant effect on zakat distribution among the new converts. Thus, zakat distribution is significant in reducing poverty burden among the new converts by increasing their income and positively improves their budget for expenditure. Thus, these statistical measures have proven a positive role of zakat in reducing poverty among the new converts. However, for zakat distribution to have significant impact on the quality of life among the new converts, immediate actions need to be taken to ensure that at least their needs are satisfied and adequate.
Anonymous (2015) The Impact of Zakat on Income Inequality and Poverty in Malaysia; A Panel Data Analysis	Panel Data Regression The results indicated that while zakat has no significant effect on income inequality, zakat significantly reduced both poverty incidence and hardcore poverty. The study suggested zakat institutions funds distribution should follow the Had-Kifayah Zakat distribution model.
Ahmad and Ma'in (2014) The Efficiency of Zakat Collection and Distribution: Evidence from Two Stage Analysis	Two-Stage DEA The results indicated that while zakat has no significant effect on income inequality, it significantly reduced both poverty incidence and hardcore poverty. The study suggested Zakat institution funds should employ Had-Kifayah Zakat distribution model.

Duka (2013) The Role of Government in Optimizing of 'Zakat' Management at Mamuju District Province West Sulawesi	Qualitative research methods with a phenomenological approach The role of government has an important impact on the strengthening of institutional <i>zakat</i> (Bazda) in the management of <i>zakat</i> in Mamuju. BAZ institutional strength, in addition to the legal support of the legislation, declaration, and political support from the Regent, is also due to the increasing public confidence. Public trust arises as a result of the implementation of the management system of public accountability. Indicators of institutional strengthening and public confidence can be seen from the <i>zakat</i> fund revenue increase from 2009 to 2012, and the increasing number of <i>muzakki</i> who gave <i>zakat</i> to Bazda.
Razak, Ismail, Hamzah, Hashim (2013) Overview of Zakat Collection in Malaysia; Regional Analysis	Ms. Excel Trend Line, for polynomial, exponential and Malthusian model As a result, Malthusian is the best model to be use since it has the smallest amount of SSE compared to the other two models. It shows that the value and the model is more accurate to forecast the future trends in order to prepare proper strategies and the future planning for the organization.
Ubaidillah and Sallehuddin (2013) Forecasting Zakat Collection Using Artificial Neural Network	Artificial Neural Network Based on the results in this study, we can conclude that ANN model with BP learning algorithm is recommended as the model to forecast the zakat collection. Since accurate forecasting can help to improve the management of zakat centre, research on how to obtain more accurate forecasting model should be done by hybridizing ANN model with other models such ARIMA, regression, and SVM.

RESEARCH METHODOLOGY

Types and Sources of Data

This study is about forecasting models. The data used in this research are secondary data such as time series data of the zakat fund collection during 2005-2015. Secondary data were obtained from the Center of Strategic Studies, the National Board of Zakat report. The analysis tools were POM-QMv3 (Quantitative Method) software and MS Excel.

Quantitative Forecasting Methods

Quantitative forecasting methods can be divided into two types, namely causal and time series. Causal forecasting methods include factors related to the predicted variables such as regression analysis, while time series forecasting method is a quantitative method for analyzing the data

of the past that has been collected regularly by the right technique. The results can be used as a reference for forecasting in the future (Makridakis et al, 1999).

The quantitative forecasting method is to use predict an event by using historical data, regardless of the influence or relationship with other variables. The forecasting method used is quantitative statistical analysis to evaluate the pattern of data changes over time (Makridakis and Wheelwright, 2010). Quantitative forecasting can also be applied in the presence of any of the following conditions (Martiningtyas, 2004): (1) information available about the past, (2) information can be quantified in the form of numerical data, (3) some aspects of past patterns can be assumed to continue in the future. Furthermore, there are several statistical quantitative forecasting methods (Makridakis and Wheelwright, 2010): (1).

method of moving averages. Forecasting is performed by collecting a group of observed values, determining the average, and then using this average as a forecast for the next period. There are two types of moving average method, namely single- and double-moving average as well as (2) Exponential smoothing is classified into three types, namely single exponential smoothing, double exponential smoothing, and triple exponential smoothing. (3). The decomposition method is based on events that occur and will repeat with the same pattern. Decomposition method has four major components of the pattern of change, i.e., trend (T), seasonal fluctuation (M), cyclic fluctuation (S), and random change (R).

Multiplicative Decomposition

One way to analyze the time-series data is to perform decomposition for the purpose of identifying the components that affect the data. Four time-series components commonly studied are (1) trends, (2) cyclical, (3) seasonal, and (4) stationary/Horizontal. In decomposition, the mathematical model of a long-term time series (annual) can be regarded as the multiplication from both the trend fluctuation and cyclical fluctuation components.

$$X = T \times C$$

Where:

X is the actual value

T is the trends fluctuation

C is a cyclical fluctuation index

As for short-term time series data (less than 1 year), the mathematical model is a product of four components:

$$X = TCSH$$

S is the seasonal fluctuations

H is the horizontal fluctuation (stationary)

Decomposition analysis is used to analyze the data contained in the seasonal pattern and generate the forecast a long period ahead. This analysis has two models:

1. Additive
2. Multiplicative.

The additive model is used to measure the seasonal pattern, which is not proportional to the data (no pattern widened or narrowed but constant); a straight line is achieved by adding the seasonal form, while the multiplicative model has proportional seasonal pattern size with data (there is a wide pattern or shrink).

Additive decomposition calculates the time series decomposition on the components of the trend, seasonal, cyclical, and error. This method identifies the future forecast and sum of the projections of the forecasting results. The model assumed to be additive (all components are added to obtain the results of the forecast). The model equations are:

$$X'_t = T_t + S_t + C_t + \varepsilon_t$$

where T is the trend, S is a seasonal component, C component is cyclic, and ε is the error.

Multiplicative decomposition calculates the time-series decomposition on the components of the trend, seasonal, cyclical, and error. This method identifies future forecast. The model assumed to be multiplicative (all components are multiplied by each other to get the forecasting models). Model equations are as follows:

$$X'_t = T_t * S_t * C_t * \varepsilon_t$$

where T is the trend, S is a seasonal component, C component is cyclic, and ε is the error.

Exponential Smoothing with Trend

Exponential smoothing with trend is another kind of exponential smoothing that is used when a time series shows a linear trend. The pattern of exponential smoothing with trend is expressed as follows (Heizer and Render, 2009):

$$\begin{aligned} FIT_t &= F_t + T_t \\ F_t &= \alpha (A_{t-1}) + (1 - \alpha)(F_{t-1} + T_{t-1}) \\ T_t &= \beta (F_t - F_{t-1}) + (1 - \beta)T_{t-1} \end{aligned}$$

Information:

F_t = forecasting by exponential smoothing from the data series in period t ,

T_t = trend with exponential smoothed in period t ,

A_t = actual demand in period t ,

α = constant of smoothing for average ($0 \leq \alpha \leq 1$),

β = constant of smoothing for trend ($0 \leq \beta \leq 1$).

Trend Analysis (Regress over time)

Trend analysis is a time series forecasting method in accordance with the trend line to a series of data in the past, which is then projected into the future forecasting. The formula of trend analysis is as follows (Heizer and Render, 2009):

$$(y = a + bx)$$

$$a = \frac{\sum y}{n}$$

$$b = \frac{\sum xy}{\sum x^2}$$

Information:

Y = Dependent variable

X = Independent variable (time)

a = Constant

b = coefficient Trend

n = number of data (observations)

RESULT AND DISCUSSION

The Forecasting of Zakat Collection

Forecasting involves the processing of information systematically to estimate of future occurrences based on past information and the present time, so the mistakes can be minimized (Riduwan, 2010). In general, the steps of the forecasting method are to collect data, to select data, to choose the forecasting model, to use the chosen model for forecasting, and then finally evaluate the final result.

This study uses quantitative methods with the time-series approach. The time series method is a forecasting method that using pattern analysis of the relationship between variables to be predicted by the time variable (time series analysis). The methods chosen for analysis are the standard (moderate) prediction that using exponential smoothing with trend (0.5 Alpha, Beta 0.5), then the optimistic prediction that uses exponential smoothing with trend (alpha, 0.7; beta, 0.7), and the pessimistic prediction that uses trend analysis.

This study aims to predict the collection of zakat fund in Indonesia for the next year. Discussion about potential of zakat collection in Indonesia has always been a topic of particular interest for the stakeholders of Islamic economics. This is caused by the persistence of a large gap between actual zakat funds collection and the zakat potential in Indonesia. According to BAZNAS, in 2015, the zakat potential reached Rp 286 trillion, while the actual zakat fund collection only reached Rp 3.7 trillion. In other words, zakat fund collection was only reached less than 1.3% of its potential in 2015 (The National Board of Zakat, 2017).

There are three schemes of forecasting calculation: pessimistic, moderate, and optimistic approaches. Data used in this analysis were annual data collected for the period 2005 to 2015.

Firstly, pessimistic prediction uses trend analysis. Graph 4.1 describes the forecasting of zakat funds collection, which can reach up to Rp 3.75 trillion until the end of 2016 with mean absolute percent error (MAPE) of 0.19. It means

that the forecasting of zakat fund collection is still very small compared with to its potential. However, there was an increase of zakat collection compared to that in the previous year.

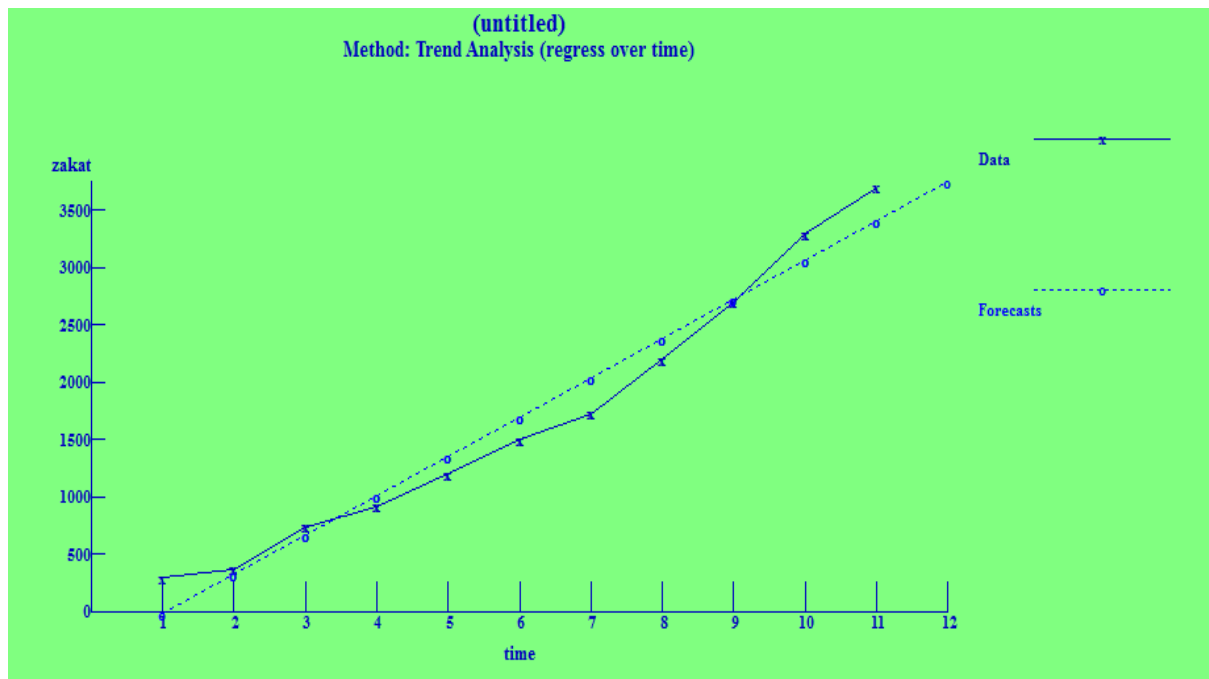


Figure 4.1. Forecasting of Zakat Collection with Trend Analysis Approach (Pessimistic)

Second is moderate prediction. This scheme uses exponential smoothing with trend and is also based on the alpha value, which gives the smallest error rate by providing the value of mean square error (MSE), with alpha 0.5 and beta 0.5. From the graph 4.2 below, it can be seen that the overall collection of zakat has increased from year to year. Based on data from BAZNAS, zakat fund collection reached 68.39 billion in 2002 and increased to 3.7 trillion in 2015. However, the number of zakat funds in 2015 amounted to 3.7 trillion, which still shows

a large gap with its potential in Indonesia. As per the moderate scheme discussed above, the forecasting of zakat funds can be collected up to the end of 2016 was around Rp 4.16 trillion with MAPE value as much as 0.16. Thus, there was an increase of zakat collection from previous year. The description of zakat fund estimation in 2016 showed that the existence of a large gap between actual zakat fund collection and zakat potential in Indonesia.

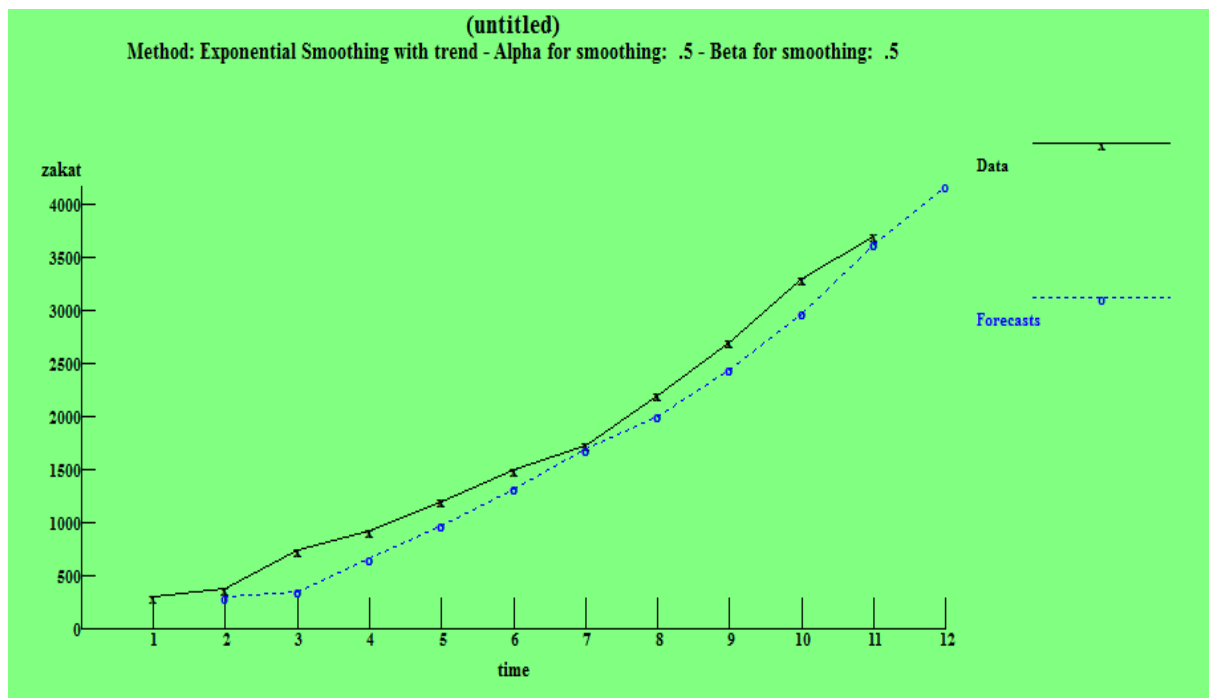


Figure 4.2. Forecasting of Zakat Collection by Exponential Smoothing with Trend (Moderate)

Thirdly, the optimistic prediction. This scheme uses exponential smoothing with the trend approach (alpha, 0.7; beta, 0.7). Graph 4.3 below showed that the forecasting of zakat funds collection in

2016 was around Rp 4.24 trillion with MAPE value of 0.11. This is expected to be realized. However, the result is still not optimal, if it is compared with its potential.

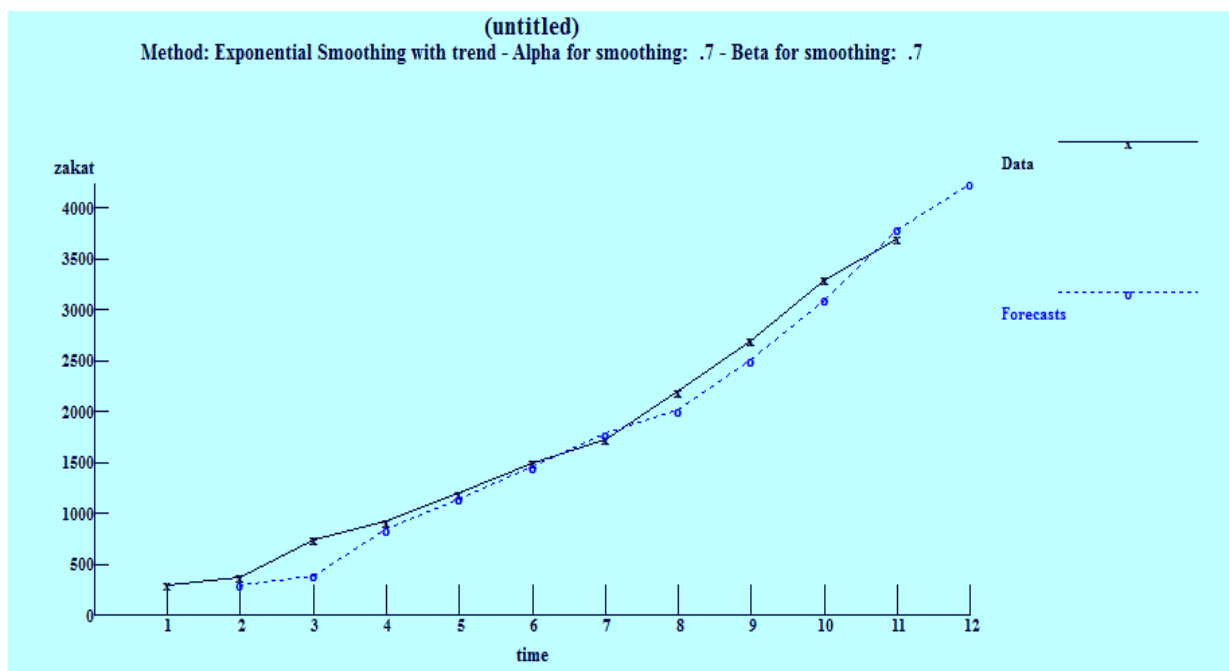


Figure 4.3. Forecasting of Zakat Collection by Exponential Smoothing with Trend (Optimistic)

Fourthly, this study predicts the total zakat funds could be collected during

the next 5 to 10 years or over time. This study uses the multiplicative

decomposition approach. The forecasting of zakat collection has reached about Rp 5.0 trillion in 2020 and it is expected to increase to 8.33 trillion in 2029 with MAPE value as much as 0.18. Forecasting of this study is an organic calculation,

which assumes no extraordinary effort from government and stakeholders of zakat in the national development strategies. Therefore, it still has large gap with its potential. Thus, we have to solve this problem with good management.

Table 4.1. Forecasting of Zakat Collection with Multiplicative Decomposition Approach

Measure	Value	Future Period	Unadjusted Forecast	Seasonal Factor	Adjusted Forecast
Error Measures		12	3793.45	.97	3668.51
Bias (Mean Error)	.03	13	4139.51	1	4160.45
MAD (Mean Absolute Deviation)	173.37	14	4485.57	.97	4337.84
MSE (Mean Squared Error)	40910.22	15	4831.63	1	4856.08
Standard Error (denom= $n-2-2=7$)	253.55	16	5177.69	.97	5007.17
MAPE (Mean Absolute Percent Error)	.18	17	5523.75	1	5551.7
Regression line (unadjusted forecast)		18	5869.81	.97	5676.49
zakat = -359.2769		19	6215.87	1	6247.32
+ 346.06 * time		20	6561.93	.97	6345.82
Statistics		21	6908	1	6942.94
Correlation coefficient	.98	22	7254.05	.97	7015.15
Coefficient of determination (r^2)	.97	23	7600.11	1	7638.57
		24	7946.17	.97	7684.47
		25	8292.23	1	8334.19

Source: Zakat Collection 2005-2015
Center of Strategic Studies, the National Board of Zakat (2017)

According to Saidi (2008), zakat is a source of economic funds for financing of the state economy. It can be a solution to alleviate poverty. Politically, the state has an important role in fulfilling the clothing, food, and housing needs to the people. This role is a fundamental policy in an Islamic economy, and zakat has a role to distribute the wealth based on fairness. Allah says in the Qur'an Al-Hashr verse 7: So that the treasure was not circulated among the wealthy of you. From the explanation above, we can know about the importance of wealth distribution, because it can circulate the wealth among people. Therefore, it can increase the purchasing power of society, and finally, the poverty rate will decrease gradually (*ceteris paribus*).

The poverty rate of Indonesia is still relatively high at 10.86% in 2016. In addition, the gini coefficient reached 0.397 in 2016 (BPS: 2017). Thus, the management of zakat funds has not been distributed optimally so that its benefits cannot be perceived by the public as a whole. Ultimately, it affects the level of public trust in zakat institutions. In fact, zakat funds managed by the institution have more significant influence than zakat fund given by muzaki to mustahik directly. Because, if zakat fund is managed by the institutions, then it will be divided into productive zakat and consumptive zakat. Then, the conclusion is that there is a big problem in management of the zakat fund collection.

The forecasting of zakat collection above can be a general overview for the

zakat institution and the stakeholders. There are some factors that can affect the level of zakat fund collection. According to Mubarok and Fanani (2014), there are factors that affect the zakat fund collection in Indonesia such as the quality of financial reporting, lack of people's trust in the zakat institution where their zakat fund is channeled, absence of an accurate database of mustahik maintained by zakat institutions, and lack of understanding about the obligation of zakah and its percentage among many Muslims. Another reason is the weak institutional framework and weak implementation of the rules of zakat since there is no punishment for those who do not pay zakat, whereby the efficiency and effectiveness of the innovative utilization of zakat funds remains low.

Lack of public awareness regarding the payment of zakat is one of the main reasons for zakat being the most neglected obligation in Indonesia, whereas, Allah condemned the prayer that does not bear the social piety (Q.S. Al-Maun: 7). In the Qur'an Al Maun verse 7, it is mentioned that "it will harm people who are not willing to provide assistance". Some of mufassir interpret it with people who do not want to pay zakat or lend household appliances. Zakat is as an important

instrument to solve social inequality, and it should be able to solve the problems of the poverty rate of the country, especially in Indonesia. Zakat is as a manifestation of social piety that was implemented by the Islamic government of Umar bin Abdul Aziz.

Then, the government must have the political will to strengthen the laws regarding the institutional management of zakat, with an objective of enhancing the awareness of Muslim in paying zakat. Besides this, the zakat institutions have to increase the management process. The payment of zakat is made difficult by some issues that need much attention such as lack of satisfaction among zakat payers regarding its management. Because good management will increase the trust among zakat payers (muzaki), a big concern is the collection of the zakat potential in Indonesia, which would allow optimal distribution of zakat funds to zakat recipients (mustahik), so that the benefits can be experienced by the public.

The Pattern of Zakat Collection System in Muslim Countries

Every country has a regulation to run the system. Zakat systems followong in Muslim countries are as follows:

Table 4.2. Zakat System in Muslim Countries

Country	Approach to zakat	Country	Approach to zakat
Afghanistan	No government system	Morocco	No government system
Algeria	No government system	Niger	No government system
Azerbaijan	No government system	Nigeria	No government system
Bahrain	Voluntary	Oman	No government system
Bangladesh	Voluntary	Pakistan	Mandatory
Burkina Faso	No government system	Qatar	No government system
Chad	No government system	Saudi Arabia	Mandatory
Egypt	Voluntary	Senegal	No government system
Guinea	No government system	Sierra Leone	No government system
Indonesia	Voluntary	Somalia	No government system
Iran	Voluntary	Sudan	Mandatory
Iraq	No government system	Syria	No government system
Jordan	Voluntary	Tajikistan	No government system
Kazakhstan	No government system	The Gambia	No government system
Kuwait	Voluntary	Tunisia	No government system
Lebanon	Voluntary	Turkey	No government system
Libya	Mandatory	Turkmenistan	No government system
Malaysia	Mandatory	U.A.E.	Voluntary
Mali	No government system	Uzbekistan	No government system
Mauritania	No government system	Yemen	Mandatory

Source: Moneyjihad Website (2017)

Zakat system used by each country could affect the collection of zakat in the country. Indonesia is a country that uses a voluntary approach for zakat funds collection. This is in line with UU No. 23 of 2011 and PP. No. 14 of 2014 about the Zakat Management; there is no law about sanction for muzaki who do not pay zakat, to improve the zakat collection. Malaysia, on the other hand, uses a mandatory system, which followed by zakat socialization and zakat payment as a tax deduction. It can increase the zakat collection. According to Shirazi and Amin (2009), Malaysia requires a small amount of resources to eliminate poverty to about 0.02% of GDP. Furthermore, Yaumidin (2009) estimates that the resources needed for poverty alleviation and zakat potential collection for Malaysia and Indonesia. Then, she concludes that Malaysia performs better than Indonesia.

CONCLUSION

There is still a large gap between the actual zakat collection and its potential. A forecast of zakat collection in the next period is necessary for evaluating the management. Firstly, based on pessimistic prediction, forecasting of zakat funds collection showed that the values could reach up to Rp 3.75 trillion until the end of 2016. Secondly, based on moderate prediction, it was mentioned that the forecast of zakat funds that can be collected up to the end of 2016 was around Rp 4.16 trillion. Thirdly, the optimistic prediction, the forecasting of zakat funds collection in 2016 was around Rp 4.24 trillion. Fourthly, using the multiplicative decomposition approach, the zakat collection can reach up to about Rp 5.0 trillion in 2020. It is expected to increase to 8.33 trillion in 2029. Forecasting of this study is an organic calculation, which assumes no extraordinary effort from government and stakeholder of zakat in the national development strategies.

Therefore, there is still has large gap with its potential. Thus, we have to solve this problem with the good management, big effort, and full support from all of parties such as zakat board, scholars, schools, and government.

Furthermore, the zakat system used in each country could affect the collection of zakat in the country. Indonesia is a country that uses a voluntary approach in zakat funds collection. This is in line with UU No. 23 of 2011 and PP. No. 14 of 2014 about zakat Management; there is also no provision about sanction for muzaki who do not pay zakat. This contributes to the lack of optimal zakat collection, which still far from its potential.

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Zakat and SDGs: Impact Zakat on Human Development in the Five States of Malaysia

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ABSTRACT

Zakat is intended to stimulate economic development, education, social, human resources empowerment, religion health, and insurance programs. The seven programs above are implemented by the Malaysian government to improve economic growth. The aim of the study is to examine the impact zakat on human development program in Malaysia using the Autoregressive Distributed Lag (ARDL) bound testing approach. The analysis was carried out for the period from 1980–2009. The finding of the research reveals that zakat has a positive and significant influence on human development in five state in the short and long run. Zakat in Malaysia can be used as tool of fiscal policy that is decided in the states of Malaysia to stimulate human development and economic growth in the long run.

Keyword: Zakat, Human Development, Granger causality test

INTRODUCTION

Zakat is regarded as one of the most important sources of fund available within the Islamic economic and financial system. *Zakat* is the main income for Islamic countries besides tax such as tax of land, tax of agriculture products, and others (Shalih, 1965). It is a part of human's wealth that is distributed to the have-not following the ordinance of Allah SWT. It is in line with the Holy Koran, Hadith, and Islamic teaching (Sabiq, 1973). It is the main mechanism used to reduce economic inequalities and alleviate misery within the Muslims community. Besides that, *zakat* also forms social bonds between Muslims, as in Islam all Muslim are family and it is important to help one another. The wealth owned by rich Muslims belongs to the

poor and the needy and other eligible *zakat* recipients.

Education and training is one of the most important social investments as it will bring benefits to a country in the long run. The roles of education and training are: to produce knowledgeable, trained, and skilled workforce; to mould a disciplined, diligent, and motivated individual; to provide individuals who are innovative and knowledgeable in technology, management, and related skills, especially to the industrial sector. Malaysia introduced a comprehensive national education policy in the Education Act 1961. Among the objectives of the national education policy are as follows: to provide individuals greater access to education; to make Malaysian language as the main medium of instruction; to establish a common curriculum; to provide

the teaching of the students' own languages; to emphasize on vocational and technical education; and to provide moral and religious education. To achieve the objectives of the National Education Policy, a number of programs were implemented such as: free education to all children up to upper secondary level; provision of teaching and educational facilities, and trained teachers; and to provide educational aids to assist the poor in the form of text book loans, scholarships, supplementary feeding, health, and dental services (Yussof, 2011).

Malaysia is committed to improve the level of education as it recognizes that education is an important ingredient in development. Malaysia's education system provides free education to students between the ages of 7 to 17 for a total of 11 years of universal education. Admission age to the first year of primary schooling is usually seven and the graduating age for a first bachelor degree is about 22 years. The primary and secondary school children would also get free textbooks provided by the government. The quality of education, access, and opportunities has improved to all strata of the society to provide manpower requirement to the nation. Recently, human capital formation has received an increased attention from policy makers and scholars interested in promoting economic development in developing countries. Models of endogenous economic growth stress the importance of investment in knowledge, including basic education, as a critical factor in economic growth and therefore education should form a principal component in any development strategy (Yussof, 2011).

ZAKAT AND EDUCATION IN ISLAM

Islam places great stress on seeking knowledge and education. Generally speaking, one can't find the proper right

path in this world; this is true in all times and places. Knowledge is very important for two reasons. Firstly, it makes the man a right thinker; no one can think properly without having a fair amount of education. It also helps one take the right decision. Secondly, knowledge is that only through gaining many levels of education, man is able to gain more information from the external world. In fact, Islam called upon seeking out knowledge on all the levels. The first word of the Qur'an, revealed by God to prophet Muhammad (PBUH) was read, which highlights the importance of science and learning. The prophet (PBUH) said that seeking knowledge is a compulsory for every Muslim. He also said that whoever follows a path seeking knowledge, God will make his path to paradise. In Islam, the education process derives its pillars from the Holy Quran and Prophetic Traditions, and sayings of Companions, Followers, and the opinions of pedagogy scholars. From this balanced blend, the Islamic education derived its objectives, elements, means, and methods, in the context of integrated system organized by Islamic teachings. The education process in Islam is a process of building and directing individuals to reach its maturity. For this aim, messages were revealed and messengers were sent to build individuals spiritually, mentally, and physically, in the light of balanced system that enables them to perform his duties.

Specifically, education in Islam entails the acquiring of intellectual knowledge through the application of reasoning and logic and developing of spiritual knowledge based on the divine revelation and spiritual experience. From the Islamic world view, an Islamic education must strike a balance between the above a mentioned two aspects, as acquiring knowledge in Islam is a means to elevate moral and spiritual consciousness leading to faith and righteous actions. The major source of knowledge in Islam is the al-Qur'an. In

fact, the first verse revealed by Allah in the al-Qur'an is on education:

"Read! In the name of the Lord and the cherisher, who created man, out of a (mere) clot of congealed blood. Read! And the Lord is the most Bountiful; he who taught (the use of) the pen, taught the man what he knew not." Surah Al-Alaq:1-7.

These verses remind Muslims that we must remember Allah, read the al-Qur'an, and seek knowledge. It is the responsibility of all Muslims to seek knowledge and discover facts through research and development to improve their standard of living. And indeed those who have knowledge will be exalted by Allah to high rank as the al-Qur'an says:

"Allah will exalt those who believe among you, and those who have knowledge, to high rank. Allah is informed of what you do." Surah Al-Mujadilah: 11.

The importance of the people who have knowledge is explained further by the Prophet (pbuh). He says:

"The learned ones are the heirs of the Prophets, they leave knowledge as their inheritance: he, who inherits, inherits a great fortune." Abu Daud.

This verse and hadith are evidences that the ulama or teachers are exalted describing them the heirs of the Prophets. It is important to teach knowledge to others as this knowledge is a great fortune because of its potential to create innovations and new technologies to increase the production capacity, income, and the standard of living. Indeed, the

history of Muslim education goes back to the Prophet (PBUH) himself who taught his companions the al-Qur'an and its meanings as well as the foundation of Islamic jurisprudence.

The institution of *zakat* in Malaysia has an important role in micro and macroeconomics. This important role is not separated from the distribution of *zakat* to the *asnaf* especially to the *faqir* and the *masakin*. *Zakat* distribution in Malaysia is distributed for education and human resource empowerment. The rulers regarded the building of mosques and schools in their kingdoms as their divine responsibility. They also opened pious trusts (*awqaf*) as a means to provide a sustained physical and financial assistance to the teachers and scholars. Education is the process of increasing knowledge, the skills, and the capacities of all the people in a society or the accumulation of human capital for economic progress. The stock of human capital could be accumulated in a number of ways. First, it could be accumulated through formal education, beginning with primary education, followed by secondary education, and tertiary education in colleges and universities. Second, human capital is accumulated through on the job-training programs by the employers. A third process is through self-development where an individual takes an initiative to acquire more knowledge, skills, and capacities by reading, and learning by doing. Fourth, is the capital accumulation through the improvements in the health of the working population because of the existence of better medical and public health facilities and services? And the fifth is the capital accumulation as a result of better nutrition, which increases the working efficiency of the workers. The accumulation of human capital may start with formal education and continues on; it is a lifetime process as we have to update our knowledge and skills.

The Human Development program above is an important tool to achieve

economic growth and strong economic fundamentals. The purpose of the study is to analyze the relationship between *zakat* and human development in the Federal Territory of Malaysia.

There are many studies on *zakat*, but few studies on influence of *zakat* on macroeconomic. Salleh and Rogayah Ngah (1980) conducted a study of farmers in Malaysia. This study examines inequality in income distribution before and after *zakat* distribution with Gini—coefficient approach. The result of the study that *zakat* is able to increase of income distribution among the farmers. Patmawati (2007) conducted a study of the *zakat* in Selangor, Malaysia, based on the 2001-2002 data. The result of the study show that the distribution of *zakat* is reduced poverty rate, poverty gap, and reduced the income distribution gap in Selangor. The SenIndex and the FGT index decreased in the Selangor after *zakat* distribution. Reduction of poverty and income inequality reflects an increase in income to the *zakat* recipients as well as having an effect on the increase in public consumption.

Hassan (2010) develops the idea of integrated model that combines Islamic Microfinance with *zakat* and *awqaf* institutions for reduced the poverty. The model incorporates *zakat* which can be distributed to fulfill basic consumption needs whereas the *Awqaf* fund will be used as for business or capital investment for the poor to involve in economic activity. As the proposed model is fully based on profit-loss sharing and concessional contract modes, the distribution of profit or earnings will be allocated as per the contribution of capital among the depositors, shareholders, investors in the NGO. Furthermore, the burden of debt is less on the poor under this model since the provision of *zakat* fund does not require any repayment. As the model is based on profit-loss sharing principle, no fixed interest payment will be imposed on the borrowers. It is argued that all these factors

will lower the chances of default rates and thus contribute to higher success rate of poverty alleviation.

Yussof (2010) expanded the study to analyze the impact of *zakat* expenditure on real output in Malaysia. The study shows that the *zakat* influences the variations of output. Yussof (2011) studied the impact of *zakat* spending on school enrollment on economic growth using panel data. He found that *zakat* spending and school enrollment are important determinants of real output represented by the growth of real GDP. Suprayitno, Radiah, and Azhar (2013) investigated the impact of *zakat* distribution on aggregate consumption in Malaysia. The results of the study found that *zakat* expenditure has a positive relationship with aggregate consumption. Salama (1995) finds that in Sudan the portion of *zakat* expenditure was a high spend to the administrative expenditure.

RESEARCH METHODOLOGY

This study used annual data for the period from 1980–2009. This study also used data from five states in Malaysia, namely, Johor, Kedah, Negeri Sembilan, Selangor, and Terengganu. The *zakat* data in the five states in Malaysia are collected from the Annual Report of *zakat* Majlis Agama Islam Wilayah Persekutuan (MAIWP), Annual Zakat Report states of Malaysia, and the data of Gross Domestic Regional Product (HD) in the states of Malaysia are gathered from the Department of Statistical and Central Bank of Malaysia.

3.1 The Model

There are few studies on the modeling of *zakat*. Metwally (undated), Choudhury, and Malik (1992), Choudhury (1999) developed modeling on the impact *zakat* on the general equilibrium in Malaysia. In this current study, we specify our model depending on the Suprayitno, Radiah, and Azhar (2013) dan Yussof (2011) as:

$$HD_{it} = \beta_0 + \beta_1 Zk_{it} + \varepsilon_{it} \quad (1)$$

where HD is the ratio of total enrollment in primary and secondary schools to the total population of the respective States. Secondary schools is included in junior high school and senior high schools. Zk is the nominal *zakat* in the States of Malaysia. β 's the parameters to be estimated, and ε_{it} is a white noise error term, the subscript i represents states and t represents time period for each states. The hypothesiss of the study is the zakat expenditure has positively related to the enrollment ratio; an increase in zakat would raise enrollment ratio.

3.2 ADF Unit Root Test

In order to determine stationary properties of the series, this study employs several tests, such as Augmented Dickey and Fuller (*ADF*), Phillips and Perron (*PP*) (1981). ADF unit root test using simple regression is following in equation (2):

ADFtest :

$$\Delta Y_t = \alpha + \delta t + \beta Y_{t-1} + \gamma \sum_{i=1}^p \Delta Y_{t-i} + \mu_t \quad (2)$$

where; ΔY_t is the unit root test for Y_t using natural logarithm for all variables (HD and Zk) in the period of t . Whereas, ΔY_{t-i} is the lag of first difference. Δ denotes a symbol of difference. μ_t is an error term; α , β , and δ are the parameters to be estimated. Because the bound test is assumed that the variables are integrated at $I(0)$ or $I(1)$. Hence, the implementation of unit root test in the ARDL procedure might still be necessary to ensure none of variables are $I(2)$ or beyond.

EMPIRICAL RESULT AND DISCUSSION

4.1 ADF Unit Root Test

The first step for proceed the ARDL bound test is by testing the unit root to check the

stationary of the variables. Table 2 presents the result of Unit Root Test Results. The results show that the variables are integrated at $I(0)$ or $I(1)$ at 1, 5, and 10% significance levels.

Table 2 Unit Root Test Results

Augmented Dickey-Fuller Test				
States	Variable	Intercept	Intercept & trend	Decision
Johor	lnZk	-3.286(1)***	-3.87(1)**	I (0)
	lnHD	-3.86(1)**	-5.63(0)*	I(1)
Kedah	lnZk	-5.27(1)*	-6.38(0)*	I(1)
	lnHD	-4.53(1)*	-6.20(0)*	I(0)
N. Sembilan	lnZk	-4.24(0)*	-7.57(0)*	I(0)
	lnHD	-4.96(0)*	-7.76(0)*	I(1)
Selangor	lnZk	-5.16(0)*	-8.03(0)**	I(1)
	lnHD	-5.62(0)*	-8.22(0)**	I(1)
Terengganu	lnZk	-4.73(1)*	-7.31(0)**	I(1)
	lnHD	-5.03(0)*	-7.32(0)**	I(1)

*, ** and *** denote significant at 1, 5, and 10% significance levels, respectively. Optimal lag length is determined by the Akaike Information Criteria (AIC).

4.2 Engle and Granger Causality Test

Granger causality test is used to know causality among the variables (Granger, 1969; Engle and Granger, 1987). Table 4 presents the result of Granger causality test using ARDL–ECM based on equation (7). Table 4 shows that, Johor, Kedah, Negeri Sembilan, Selangor, and Terengganu have are bi-directional causality hypothesis in the long run. In the short-run period, bi-directional causality hypothesis happens in the states of Kedah, Selangor, and Terengganu. Whereas, *zakat* influences the human development in the states of Johor and Negeri Sembilan. The consistent result of bi-directional causality hypothesis both short run and long run happens in the states of Kedah, Selangor, and Terengganu. The result of zakat influence on human development both in the short and the long run happens only in the states of Johor.

Table 4 Granger Causality Test with ECM

State	Dependent variable	$\Delta \ln \text{Zakat}$	$\Delta \ln \text{HD}$	$\Delta \text{Constant}$	ECT	F-Statistic
Johor	$\Delta \ln \text{Zakat}$		0.5303* (2.9382)	0.1385** (2.0476)	-0.4605** (-2.5067)	9.8604*
	$\Delta \ln \text{HD}$	0.6131 (1.0962)		-2.4249** (2.1390)	-0.4827* (-2.0981)	5.4628**
Kedah	$\Delta \ln \text{Zakat}$		0.4217* (3.281)	0.2129** (2.1412)	-0.3925* (-3.1011)	8.7119*
	$\Delta \ln \text{HD}$	0.4736** (2.8106)		-0.4821* (4.0108)	-0.3326** (-2.3107)	9.1922*
Negeri Sembilan	$\Delta \ln \text{Zakat}$		0.1865* (3.0015)	0.2341** (2.2883)	-0.4603** (-2.5567)	9.2091*
	$\Delta \ln \text{HD}$	0.3862* (2.9832)		0.2089** (2.1947)	-0.4827** (-2.6443)	8.0373*
Selangor	$\Delta \ln \text{Zakat}$		0.4346* (4.5323)	2.0543* (3.2099)	-0.6264* (-3.6527)	10.2325*
	$\Delta \ln \text{HD}$	0.5442* (4.7860)		3.9077* (4.0021)	-0.5498* (-3.7081)	9.7306*
Terengganu	$\Delta \ln \text{Zakat}$		0.3276* (4.0521)	0.9833** (2.5316)	-0.5159** (-2.6702)	9.8005*
	$\Delta \ln \text{HD}$	0.4091* (3.2122)		0.3208* (3.5161)	-0.5192** (-2.5391)	8.5927*

*, ** and *** denote significant at 1, 5, and 10% significance levels, respectively. Optimal lag length is determined by the Akaike Information Criteria (AIC).

Table 4 shows the estimated of ECM. The coefficient of ECM is negative and significant at 1, 5, and 10% level. It means that the adjustment process from the short-run deviation is fast, relative fast Negeri Sembilan, Selangor, and Terengganu with indicates that from 50% above, relatively fast in the state of Johor and Kedah with 28% - 39. This implies that there is a statistically significant short-run positive impact of *zakat* on the Human Development in the state of Malaysia. The influence of *zakat* on Human Development in the state of Malaysia in the short and long run means *zakat* is one factor to decide fiscal policy in the states of Malaysia. This happens because *zakat* is a considered as saving instrument or collection for special budget that is definitely distributed to the poor and the needy such as human development program.

It means, that the more *zakat* are collected, more powerful for *zakat* to plays the important role in social life, social welfare, and economic development to substitute the role of the government through the government budget. Therefore, the increase of *zakat* collection in short run will increase *zakat* distribution and increase income of *zakat* recipients.

With this results suggest that the system management of the *zakat* in Malaysia is able to stimulate on the economic growth of the state in Malaysia. The various programs such as economic development, education, social, human resources empowerment, religious, health, and insurance are implemented for short and long run, programs fulfill basic needs, and sustainable programs, both physical and psychological needs as well as both material and spiritual needs. *Zakat* management model in Malaysia can be the model for other Islamic countries to stimulate economic growth.

CONCLUSIONS AND RECOMMENDATION

This article proves that there is a causal relationship between *zakat* and economic growth in the State of Malaysia. *Zakat* influence on Human Development both in the short and the long run. In light of this, *zakat* in Malaysia can be used is one factor to decide fiscal policy in the states of Malaysia. *Zakat* can be the supportive fiscal policy to stimulate human development.

Beside forms that, *zakat* has the ability to influence economic activity. *Zakat* could be employed as an important tool to stimulate human development. The distribution of *zakat* for education and human resources empowerment is stimulate better social life of the recipients. Thus the increase of *zakat* in the short run is able to increase the social life, quality of education and quality of recipients. In the long run increase of the income, increasing in income will influence on consumption. In the long run is able to increase consumption, investment, demand for labor, and stimulate *zakat* recipient became *zakat* payers. In this case, the main goal the *zakat* to reach sustainable *zakat* funds and economic growth are successfully achieved.

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The Need of Establishment of Professional Amil Zakat to Enhance the Future Zakat Development

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ABSTRACT

This is basically a conceptual paper. It discusses and proposes the need of establishment of the so-called Professional Amil Zakat. The remarkable development of zakat in Muslim countries so far has to be appreciated highly. However, several things must be done, since the achievement is still far below the potential power available. Among many factors that contribute to the development of zakat is that the existence and the role of Amil Zakat. Needless to say, Zakat development will be hopeless without them. However, there is not much attention has been paid to them. The paper argues that the development of Amil Zakat will in turn enhance the successfulness of zakat practices in the future. A way to do so is by establishing the official professional body of Amil Zakat, locally, nationally, or globally. The establishment of such body is believed that it will enhance the professionalism, which finally supports the practices of Zakat.

Keywords: Zakat, Amil, Association, Professionalism, Future Development

INTRODUCTION

Zakat is one of the very important pillars in Islam. It is mentioned so frequently in the holy book, Al Qur'an-ul-Karim. Qardawi (2004) notes that some Muslims scholar claim that the Qur'an mentions zakat in 82 places; according to him, the word zakat is stated 30 times, while 27 occurrences (90%) are affirmed together with the order of the *salat* or regular prayers. This indicates how important zakat is in the view of Islam. (See also Adnan and Abu Bakar, 2009, p. 32).

The issues and practices of zakat have remarkably grown in last few decades. Many Muslims have paid attention to the understanding and practices of zakat. Like in Indonesia, many new zakat institutions have been established since the past two decades, either linked with or attached to the Government Institutions, or stand privately. Legally, the Indonesian government has also issued the Zakat Act No. 38 of 1999, which is

then renewed or improved by the Zakat Act No. 23 of 2011. The later was even supported by the Government Rule (Peraturan Pemerintah-PP) No. 14, 2014.

The growth of zakat, particularly in Indonesia, is not only shown the establishment of various zakat institutions around the country (Karim and Syarif, 2009) and the strong legal support in the sense of approval or improvement of Zakat Acts and Government Rules, but also indicated clearly the growth of its collection.

Referring to the report published by the Baznas (National Board of Zakat) of Indonesia, it clearly shows how remarkable the growth of zakat collection is. For example, in 2003 the total zakat collected was still Rp.1,307,300,388 equivalent to USD\$ 130.730 (with assumption that USD\$1 = Rp.10,000), but 10 years later, in 2013 the zakat collected jumped up very significantly and reached

Rp.50,741,735,216 or equivalent with USD\$5.074.174. This means that the amount is multiplied almost by 39 times within 10 years, or in average the growth is about 3.9% per year steadily. Although the zakat collected has grown significantly, yet it is still much lower than the potential zakat collection. The Baznas recognizes that the current collected zakat is only about 1% of total aggregate potential zakat, which is about Rp. 270T, or equivalent with USD \$270Billion assuming that USD \$1 equal Rp.10,000. This amount is also believed to be the biggest around the world (El-Banjari, 2013). What are the factors behind this phenomenon? What are the things that can be done so that the gap can be narrowed?

Many possible answers can be offered. Due to certain limitations, this paper is trying to offer one of the possible solutions. However, the solution is believed will contribute significantly to solve the problem, that is, the establishment of professional body of Amil Zakat, or simply abbreviate it temporarily as Amil Zakat Association (AZA).

In discussing this issue, the paper is organized into several sections as follows. After this introduction, some possible factors are reviewed, and then followed by the meaning or understanding of professionalism; it is then confronted against the reality. In the following section, the idea of establishing the Amil zakat is proposed. Finally, the paper ends with concluding remarks.

Some Possible Factors

Karim and Syarif (2009) have studied the phenomenon of the fast increase in number of Zakat institutions in Indonesia. They argue that there are two main factors behind the prompt increase of quantity of Zakat Institutions. They are classified as Pull factors and Push factors.

The Pull factors—according to them—include the following: (a) spirit of consciousness, (b) spirit of professional services, (c) spirit of innovation, and (d) spirit of empowering; while Push factors include:

(a) huge market potential, (b) friendly regulation, (c) IT infrastructure, and (d) awareness increasing [of the society or particularly the *Muzakkies*].

All factors mentioned above, either the pull or the push ones seem to be describing the real facts, especially in the case of Indonesia. Those factors are agreed to have contributed very significantly on the fast and remarkable growth of Zakat Institutions bodies and zakat collection as well, particularly in last one or two decades.

Unfortunately, Karim and Syarif do not discuss at all about the huge gap between the potential zakat of the country and the real collected zakat. Perhaps, they simply believe that all those factors will automatically be narrowing the gap in the future. However, one should be critical that everything keeps changing, no guarantee that all those factors remain unchanged. Moreover, other new pulling and pushing factors should be created positively, either deliberately to foster the growth, or to anticipate the unpredictable changes in the future.

No serious study is found, which focuses in finding the factors behind the huge gap between the potential and real collected Zakat so far. El-Banjari (2013) shows the gap between the potential and the real collected zakat, however he does not focus his discussion into how to reduce the gap, but just rather emphasize that the zakat collected can solve the poverty problem significantly, provided the Zakat institutions can manage the zakat distribution properly.

Other than the above discussion, there are obviously some possible factors, which caused the above phenomenon. Among others is that (a) the awareness of zakat obligation is not yet commonly held by all potential *Muzakkies*, (b) the number of zakat institutions are not sufficient to accommodate all *Muzakkies* who are spread widely in the country, (c) the management of Zakat institutions are not yet modernized to accommodate the need

of *Muzakkies*. (d) there is the lack of professionalism among the Amil Zakat so that many other problems mentioned previously arisen and cannot be handled appropriately.

This paper is not aimed at discussing all above possible factors, but rather focusing into one of those, that is the professionalism of Amil Zakat. The reason behind it is that because the professionalism is one of the main root or fundamental factors, which means that this factor is solved, many other factors can be relatively easy to be handled.

The Meaning of Professionalism

The word “professionalism” is very popular and frequently mentioned by many (Professionalism, n.d.). However, perhaps not many are really aware about the substance of professionalism.

Literally, according to Merriam Webster on-line dictionary, professionalism means “the skill, good judgment, and polite behaviour that is expected from a person who is trained to do a job well” (Professionalism, n.d.). This understanding perhaps is the most fundamental concept of professionalism.

Joseph (2014) mentions ten characteristics of professionalism. These include the following:

1. Appearance, where one must be neat in his/her appearance.
2. Demeanour, which means that one should exude confidence but not cockiness.
3. Reliability means to find the job done, and to respond promptly and following through on promise in a timely manner.
4. Competence, means striving to become an expert in the field.
5. Ethics, means that one should adhere to a strict code of ethics.
6. Maintaining the poise means that one should be able to control his/herself. For example, if the client treats him/her in a belligerent manner, one should not resort to the same type of behavior.
7. Phone etiquette, means that one must identify him/herself by full name, company, title when placing a call. Be sure not to dominate the conversation and listen intently to the other party.
8. Written correspondence. During written correspondence, keep the letters brief and to the point.
9. Organizational skills, means that one can quickly and easily find what is needed.
10. Accountability, means that one should be accountable for his/her actions at all times. If he/she makes a mistake, own up to it and try to fix it if possible. Don't try to place the blame on a colleague. If his/her company made the mistake, he/she will take responsibility and work to resolve the issue.

Ingram (2014) has also suggested what so-called Professional criteria. Unlike Joseph, he mentions only four points. They are as follows:

1. Professional Dress. He asserted that “the best rules of thumb when dressing for professionalism are to avoid offending anyone, to pay attention to the dress of those around you and to err on the conservative side when in doubt.”
2. Punctuality. Simple example for this is to arrive at all meetings on time or a bit early.
3. Communication and Etiquette. Communication is a paramount to an image of professionalism, while etiquette must be considered carefully, although it may vary from one to another region.
4. Social awareness. This includes of being aware of what specific individuals and groups consider taboo or offensive.

The above views of professionalism seem to be mixed between substances or philosophical and technical. They also seem to be more short-sighted and less comprehensive. Adnan (2004) proposes a more

comprehensive understanding of professionalism, as also agreed and cited by Karim and Syarif (2009).

He mentions six characteristics of the so-called professionalism. They are as follows:

First is a Competence. This is very fundamental criteria of professionalism. Competence means that someone has to have a certain skill, which was developed either by attending a particular education, or by long experience process. More importantly, the skill must be recognized or certified officially by certain institutions or associations. The examples of this may be referred to the professions of Medical doctors, Certified Accountant, Certified Engineers, Lawyers, Dentist and so forth. One will be recognized to have a certain competence after passing some measurable examinations by the related professions. One cannot simply say that she or he as a Medical doctor, or Certified Accountant, unless he/she must be able to show that he/she has passed the certification process, which is normally conducted by the related professions. Generally, the competence is also acknowledged by the society or public.

Second, a full-time commitment. This is another important characteristic of professionalism. A professional must work focusing into one and certain specific job. She/he cannot mix between two or more different jobs at the same time. Moreover, she/he focuses her/himself only to perform the job on full-time basis optimally. The best example of this is perhaps the professional sport person. As everyone acknowledges that a professional sport person has only one "job" that she/he maintains seriously. His or her job is only to have exercise routinely or daily and then periodically he/she perform the competition. He/she will not do any other job beyond. The same situation happens to all other professionals like Medical doctors, Accountants, Lawyers, Engineers, and so forth.

Third, be a member of the related professional association. Let's take again the example of Medical doctors in Indonesia.

They must be registered as the member of Indonesian Doctors' Association (Ikatan Dokter Indonesia – IDI). The same thing to Accountants, Lawyers, Journalist, Geologist and any other recognized or official professions.

Fourth, a Commitment to an advance or sustainable education program. Any skill may be deteriorating or declining, either due to lack of exercise, or the advancement of knowledge and technology. Because of this reason, a professional has to maintain his/her skill periodically, either by attending a seminar/workshop/training and as such, or even formal education program. Rejection in doing so might decline his/her skill, as well as formal certificate awarded previously. The activities of maintaining or improvement of skill or competence is normally conducted by the Association of Professional Bodies.

Fifth, a Commitment to abide the code of ethics continuously and consistently. Every professional body used to establish the so-called the codes of ethic. Every single member of professional association should comply with his/her the code of conducts which has been set by the association.

Sixth, appropriate compensation. A professional person has the right to receive a fair compensation upon the skill or competence he/she has developed and contributed for others. It is totally unfair, if a professional person is not properly compensated. Like in the sport game, a professional sportsman will receive certain amount of fee, regardless if he/she wins or loses the game. Obviously the winner will receive much higher fee than the losers.

These are the criteria which are believed have to be attached strongly to any professional person. In other words, if one is willing to be called professional, then he or she must at least comply with these criteria.

The Reality

Reviewing closely at the current condition, one will realize that very few if any, Amil Zakat personals who have fulfilled the criteria discussed above. No formal research has been conducted to examine this phenomenon. However, common observation seems to reveal this reality. The following examples might confirm the facts.

In terms of competence, two things can be noted. First, there is no a formal competence that has been set or agreed to be attached with Amil of Zakat. Second, no standard criteria were set to appoint someone to be the Amil of Zakat. Because of this, almost anybody can be chosen, or accepted, or selected to be the Amil of Zakat.

The consequence of above facts is that the competence of Amil Zakat is various. Some might be very competent, but some others are far beyond. This leads to different behavior and progress of each individual or even institution.

One question may be arisen in this regard. What the basic competence that an Amil of Zakat must be complied with? Although there is no agreement yet proposed about this issue, I personally propose that there are at least these three areas must be included. What are they?

First, the Amil of zakat should understand the fight of zakat (Zakat Jurisprudences) fully and deeply. Zakat is one of important pillar in Islamic building. The "Ulama" (Muslim scholars) have even written many books of zakat. For example, the well-known book written by Syekh Yusuf Qardawi, which has about four hundred pages. Zakat covers very wide issues, from its understanding, the *Muzakkies*, the *Mustahiq*, types of zakat, methods of calculation, and so forth.

Second, the Amil of zakat should understand the concept and practices of management, in general, and zakat in particular. It is ridiculous if the Amil of zakat does not know the concepts and sound practices of management, as he/she has to manage a huge amount of money or other

assets trusted by the *Muzakkies* to distributed to the *Mustahiqs*. Mastering of zakat management is somehow undeniable.

Third, the Amil of Zakat should understand the basic and practical concept of accounting and accountability. Being appointed or trusted to be the Amil of zakat means that someone is given a big or heavy responsibility, not only from the management of point of view, but also from the religion perspective. The main function of the Amil of zakat is to collect the zakat from *Muzakkies* and to distribute it to the recipients as stated by the Qur'an, 9:60.

This function automatically obliges the Amil of zakat to prepare the normal process of accounting, which include recording, posting, summarizing, until reporting and to some extent disclosing some necessary related information to the stakeholders (see: Harrison and Horngren, 2008). It is why the Amil of zakat must be equipped with accounting knowledge or skill.

The second criterion of professionalism is a full-time commitment. Applying this criterion to the Amil of zakat, requires him/her to work fully and only for the zakat institutions. However, how many facts that can be shown that perhaps only few of *Muzakkies* so far have fulfilled this criterion. In other words, many of the current Amils of zakat only work on a part-time basis. This means that he/she actually has permanent or other jobs, which is more prioritized. The consequence is that the thought, energy and time contributed to the zakat management are not considered as the top priority. It is why the results will not be optimum as it is supposed to be.

The third criterion is a membership of related or let say Amil Zakat Association. My personal trial to seek such an organization reveals a negative result. I have not heard at all any kind of Amil Zakat Association existed or

established anywhere. It is actually interesting to notice that the Amil of zakat is one of few professions mentioned and acknowledged in the Holy Qur'an. Let's take a look to Qur'an 9:60.

Zakah expenditures are only for the poor and for the needy and for those employed to collect [zakah] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveller - an obligation [imposed] by Allah. And Allah is Knowing and Wise.

The verse is actually discussing eight categories of the zakat recipients. But, it mentions clearly the Amil of zakat as "for those employed to collect [zakah]". This must be seen as an open acknowledgement and appreciation of this job or profession. Allah himself recognizes and respects this profession, why then it is not appreciated by us?

Why the professional association is so important? Learning from any professional bodies existing nowadays, we can see many advantages can be created. Among others are: (a) the association that will unite all members into more standardized competence or skill, among others is by certification process. (b) It might also control the behaviour of members of establishing such code of conducts.

Referring to the fourth criterion of professionalism is that a commitment for every members to always maintain and improve the skill or competence. This is another function of the existence professional association. As the knowledge and technology are continuously developing, the professional members [of association] must also adjust themselves to the current development. This education process has to be organized mainly by the Association. This is another reason why a professional person must be a member of the association.

In reality, because the Amil Zakat Association has not been established, this process seems not to be applied as well, perhaps for most of the Amil zakat. As a result, there is no or just limited improvement of competence among the Amil zakat in general.

In addition—as mentioned above—the association is also responsible to control the behaviour of its members. In doing so, it generally sets up the so-called code of ethics. In reality, in Indonesia, and perhaps anywhere else, there is no such code of ethics that has been set and applied to the Amil zakat community.

One interesting phenomenon perhaps can be referred to the situation happened about 2 years ago. During the Ramadhan month of that year, there that was a campaign "war" occurring among some big zakat institutions in the country. Every zakat institution claimed that it is the best Zakat Institution where the society has to trust and then pay the zakat to. The campaign did not only involve one medium, but several media at the same time, such as newspapers, banners, radio, and television. The campaign had also involved some well-known artists and public figures in convincing the society that one particular zakat institution is the best or at least, better than others.

It was not known openly, how much money had been poured to cover the total of cost of the campaign process. It was also not known how successful the zakat institutions which were involved. But for sure, a lot of funds have been used to run the "mis-directed" campaign.

Why it is claimed to be mis-directed campaign? That is simply because the campaign was set to "attack" the other Zakat institutions. As mentioned earlier, a lot of funds were spent for building the image of the institution. However, at the same time, those Zakat institutions actually also attack other zakat institutions. They simply forgot that the real enemy that they have to face is a

poverty of the society. This is indeed the common enemy that must be confronted together by all Zakat institutions. In so doing, the co-operation strategy [among Zakat Institutions] is much better than to compete among them.

The above phenomenon happened is because there is no code of ethic that has to be complied with, as there is also no [professional] association, which can play the role in controlling unnecessary activities of the members.

The final criterion is that the fair compensation to be awarded to the professional Amil of zakat. The Qur'an 9:60 as cited above clearly stated and ranked the Amil Zakat in the third level of zakat recipient, after the poor and the needy. Muslims should believe that Allah SWT has set it deliberately, and not accidentally.

The recent observations reveal that currently some big Zakat Institutions have paid better attention on this issue. Some of Amils of zakat are paid more properly than early periods. However, several things must also be noted. First, it is not clear whether the compensation has been paid sufficiently as compared to basic need to live properly. Second, is the payment equal or comparable to the other professional jobs, such as bankers, managers, or accountants or other similar professions? Third, has the proper payment paid on prorated basis for all professional members?

Satisfaction compensation will guarantee someone to be (a) staying on his/her job permanently, and (b) giving him or her pride so that he/she will work better to achieve the targets of the entities. Unlike the current condition, where—based on observations—many of the Amil zakat work on a part-time and temporary basis. Most of them have no pride of their current job, and they are ready to leave the job, if they see more prestigious offers from another profession.

The Need of establishment of Amil Zakat Profession

The above discussion clearly demonstrates at least two important points. First, the absence of the recognized Amil Zakat profession or association—perhaps anywhere in the world—though so many people work as the Amil of zakat, locally, nationally, or internationally. Second, the importance of the establishment of the Zakat profession, as it will enhance the quality of personnel of the Amil. This, in turn, will also accelerate very significantly the amount of zakat can be collected and distributed, and finally it will foster one of main objectives of zakat, that is, to create better welfare of the Muslims in general.

The paper has adequately described the meaning and criteria of professionalism. It has also portrayed the current situation, at least in Indonesia, but possibly occurs anywhere else. The discussion also confirms that the above six criteria proposed by Adnan would be enough to be made as a basic standard of establishment of an Amil zakat profession or association. It is also believed that all those criteria can be met properly.

The establishment of Amil zakat profession will be expectedly in turn to foster the zakat movement, either in the country particularly and in the world generally. Although no study has been conducted in predicting the increase of the zakat amount can be collected after the establishment both Amil Zakat Association (AZA) and Amil Zakat Profession (AZP), the author strongly believes that it will be very significant. The association and profession will ensure the new and continuous spirit of Amil Zakat in their daily operations. They also will certainly provide an open and broad recognition by all Muslims and particularly the Muzakkies. In turn, these two factors will ensure that the Amils will have the pride of their jobs, and they will make this profession as a final terminal of their career in the life. The employees' turn-over of the Zakat institutions can be controlled at minimum level, because they

find that Zakat profession can satisfy their long life basic need, socially and financially.

CONCLUDING REMARKS

The paper has tried to discuss a positive trend of zakat movement since about the last decade. A lot of advancement has been achieved as the amount of zakat collected increasing very significantly. However, many economic problems of the Muslim society have not fully solved. It is also acknowledged by Baznas that although the potential fund of zakat is so huge, yet the real fund collected on-behalf of zakat still very small. It is just about 1%, which means that there are 99% more funds that can be targeted.

Some strategies might be proposed in solving the problem. This paper is offering one of them, which is to establish the Amil of Zakat profession which should be followed by the establishment of Amil Zakat Association with all the related consequences.

The choice of this approach is believed to have significant impact on the accelerating the amount of potential zakat collected. Because it can change the spirit of Amil zakat and improve many other aspects of zakat management in macro perspective. But, the most important point is that this action will directly and/or indirectly contribute to solve one of the basic problems in the Muslims society that is to decrease the poverty, or increase the welfare of the Muslims in general.

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Evaluation of the Productive Zakat Program of BAZNAS: A Case Study from Western Indonesia

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ABSTRACT

This paper aims to measure the impact of zakat distribution program implemented by Indonesia's National Zakat Board (BAZNAS). The study intended to accurately assess the impact of the program for a potential extension to other zakat institutions. The study adopted the CIBEST model developed by Beik and Arsyianti (2015), a quadrant model that combines the fulfillment of human needs that are both material and spiritual. The CIBEST consists of well-being index, material poverty index, spiritual poverty index, and absolute poverty index. The study has found that fund distribution by BAZNAS through the productive zakat program is quite effective in improving the welfare index of mustahik households in both material and spiritual aspects.

Keywords: CIBEST model, Mustahik, Productive Zakat

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INTRODUCTION

Zakat is one of the social and economic instruments for an optimum development of a nation (Qaradawi, 2011). It is also projected to reduce poverty and empower the poor. In Indonesia, poverty is still a major economic and social problem that needs to be alleviated. The Indonesia State Statistical Office (Badan Pusat Statistik) has reported in September 2015 that the number of poor people were about 28.51 million, or 11.13% of the total population of Indonesia. Therefore, it is interesting to see how charity plays a role in poverty alleviation.

Based on a study by Firdaus et al. (2012), the zakat funding in Indonesia reached 3.4% of total GDP in 2011, or Rp 217 trillion. The potential of zakat was estimated to reach Rp 286 trillion by 2015. However, the realization of zakat collection was only about 2% of its potential. The lack of public trust to pay zakat through zakat institutions was believed to be a major reason for the wide gap between potential and actual collection of zakat in Indonesia.

The management of zakat in Indonesia has been regulated through the Law No. 23 of 2011, replacing the Law No. 38 of 1999. The law prescribes that there are two kinds of zakat organizations in Indonesia, namely *Badan Amil Zakat Nasional* (BAZNAS), representing zakat governments throughout Indonesia, and *Amil Zakat* institutions (LAZ) managed privately or publically with approval and accreditation from the government (the Ministry of Religious Affairs of the Republic of Indonesia). By law, BAZNAS has the authority to manage and coordinate with all zakat institutions, including LAZ, in Indonesia. Currently, BAZNAS has 33 representatives across all provinces of Indonesia. Hence, BAZNAS is at frontline in national development, especially related to poverty reduction.

To meet their expected goals, BAZNAS and other zakat

institutions should adopt precise ways to accurately measure the impact of the program on the welfare of mustahik. The evaluation should especially measure how effective the zakat program has been in improving the lives of mustahik in economic, social, and spiritual aspects.

Under BAZNAS, the distribution of zakat funds as on 2015 reached Rp 2,251,634,745,545 (2.2 trillion), benefitting 4,515,126 or 4.5 million people. Based on the types (asnaf) of mustahik who received benefit, about 67.7% of the population were categorized as poor (BAZNAS, 2015). Based on the distribution of funds by sectors, about 41.3% were allocated to the social and humanitarian sector, followed by 20.3% to education, 15% to economic sector, 14.9% to da'wah, and 8.5% to health sector. It is clear that zakat funds are aimed to increase the economic productivity of mustahik communities, and hence BAZNAS must ensure that the funds are effectively distributed to improve the welfare of mustahik families.

LITERATURE REVIEW

To assess whether zakat funding has an impact on reducing poverty, we require some economic tools to measure the impact. We can use a variety of models. To assess poverty levels among zakat recipients (mustahik), the World Bank's *Handbook on Poverty and Inequality* describes several methods that are of interest (Haughton & Khandker, 2009). A study by Haughton and Khandker also explains several indices that can be used to measure poverty. The models are summarized in Table 1.

Table 1 Poverty Measurement Indices (World Bank Version)

Measurement Model	Explanation
<i>Headcount Index</i>	The percentage of poor people under the poverty line

<i>Poverty Gap Index</i>	This index is a continuation of Headcount Index that measures the extent to which a person falls below the poverty line (poverty gap)
<i>Poverty Severity Index</i>	This index is used to measure the inequality among the poor, or to observe the rate of severity of the poor by measuring the gap between poverty line and the average income of poor people
<i>Sen-Shorrocks-Thon (SST) Index</i>	This index is a combination of Headcount Index, Poverty Gap Index (applied to the poor only), and a term with Gini coefficient of the poverty gap ratios (for the whole population). So the formula is, %change in SST index = %change in Headcount Index + %change in Poverty Gap Index (among poor) + %change in (1+Gini coefficient of poverty gap)
<i>Watts Index</i>	The measure is "distributionally sensitive" by virtue of its use of logarithms. The Watts index is more sensitive to changes in the lowest incomes than it is to changes for those with higher incomes. That is, transferring \$5 to a very poor person counts as a far larger contribution to poverty reduction than transferring \$5 to a richer (but still poor) neighbor

Source: World Bank (2009).

In Indonesia, there are two approaches to measuring the poverty standard, introduced by BPS-Statistics Indonesia and National Board of Family Planning Coordination (BKKBN). BPS has proposed an approach based on spending for basic needs, which consists of food consumption and non-food consumption. For food consumption, BPS determined a minimum supply of 2,100 calories per day per capita. It means that if a person consumes less than 2,100 calories per day, then he/she is classified as poor based on the food poverty line. For non-food consumption, BPS determined the commodity needs per person depending on the geographical conditions. For the rural area, there are at least 47 commodities, while for the urban area there are 51

commodities. If a person cannot fulfill this commodity standard, he/she is categorized as poor people based on the non-food poverty line. For further computation, both indices are technically converted into monetary terms.

While BPS calculates the basic needs per capita, BKKBN qualitatively measures poverty based on basic needs of a family. In this regard, BKKBN classifies families into five groups, namely pre-prosperous family, prosperous families I, prosperous family II, prosperous family III, and prosperous family III plus. BKKBN also incorporates spiritual needs as one of the indicators of a prosperous family II (non-poor family). Spiritual need is determined based on the ability to perform rituals; if a family cannot fulfill its spiritual needs, it will be classified as prosperous family I (poor family) (Alimoeso, 2014). Nevertheless, the BKKBN model seems less comprehensive in elaborating spiritual needs.

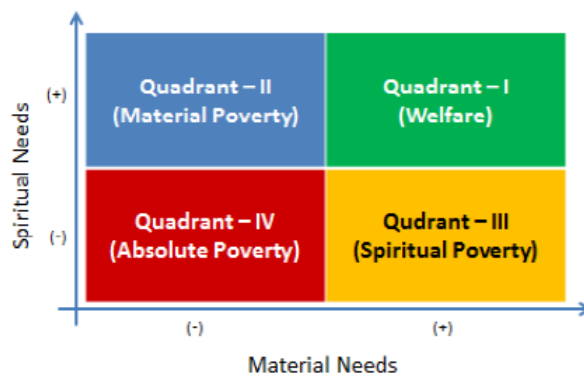
Based on a review of literature, most of the existing models cannot adequately measure the expectations of zakat in terms of not only material needs but also spiritual needs. However, the CIBEST model, developed by Beik and Arsyianti (2015), attempts to address this challenge by measuring both the material and spiritual needs. Both aspects are important benchmarks for a person's balanced way of life, as revealed the Qur'an and Sunnah. Within this model, households are divided into four types based on the conditions and their capacity to meet the material and spiritual needs. The four types are:

1. Prosperous family (quadrant I): In this highest category, a household can meet both material and spiritual needs completely.
2. Material poverty (quadrant II): In this, a family is only able to meet spiritual needs but not material needs.

3. Spiritual poverty (quadrant III): In this, a family is only able to meet material needs but not spiritual needs.
4. Absolut poverty (quadrant IV): In this lowest level, a family can meet neither the material needs nor the spiritual needs.

Based on this classification, Beik and Arsyianti formulated an index called CIBEST, with quadrants as shown in Figure 1.

Figure 1 CIBEST Quadrants



Source: Beik and Arsyianti (2015).

There are two benefits in using the CIBEST model. First, the number of families in each quadrant can be easily identified. Second, the quadrant can assist government agencies in formulating appropriate policies. According to Beik and Arsyianti, material poverty line can be determined using three approaches: periodical surveys of basic material needs, determining a standard poverty line according to BPS, and zakat standard nishab (the minimum amount that a muslim must have before being obliged to zakat). Nishab is a standard between muzaki (zakat payers) and mustahik (zakat recipients). In the CIBEST model, the spiritual aspects are based on three variables, consisting of worship, family environment, and government policies. The measurement of these three variables is outlined in Table 2.

Table 2 Assessment of Spiritual Needs

Variables	Likert Scale					Poverty Standard
	1	2	3	4	5	
Prayer	Blocking others to pray	Against the concept of prayer	Performing obligatory prayer but not on regular basis	Always performing obligatory prayer but not in congregational prayer	Performing congregational prayer for obligatory one and perform recommended prayer	Average score for spiritually poor household is equal to 3 (SV=3)
Fasting	Blocking others to undertaking fasting	Against the concept of fasting	Not fully performing obligatory fasting	Performing only obligatory fasting	Performing obligatory fasting and recommended fasting	
Zakat and Infak	Blocking others to pay zakat and infak	Against the concept of zakat and infak	Not paying infak at least once in a year	Paying zakat al-fitr and zakat al-maal	Paying zakat al-fitr, zakat al-maal, and infak	
Household Environment	Forbid ibaadah	Against implementation of ibaadah	Consider ibaadah as private matter for household member	Support execution of ibaadah	Creating environment which obligates execution of ibaadah	
Government Policy Environment	Forbid ibaadah	Against implementation of ibaadah	Consider ibaadah as private matter	Support execution of ibaadah	Creating environment which obligates execution of ibaadah	

Source: Beik and Arsyanti (2015)

The CIBEST model uses a Likert-type scale to measure spiritual needs, where 1 is the lowest value and 5 is the highest value. Although a value of 3 is a minimum standard to distinguish the poor and the rich based on spiritual needs, a family receiving this score is considered to lack faith in performing regular worship. A family scoring a value of 1 and 2 can be assumed to be not adhering to Islamic teachings, suggesting that the household environment and the government are against religious teachings.

METHODOLOGY

Data

The present study is a quantitative analysis of data obtained through a survey of mustahik who were recipients of the productive zakat program. The CIBEST model developed by Beik and Arsyanti (2015) was used to measure the impact of zakat. The CIBEST model consists of Well-being Index, Material Poverty Index,

Spiritual Poverty Index, and Absolute Poverty Index.

This study considered both primary and secondary data. While the primary data were obtained through interviews of mustahik, the secondary data were derived from the documents and financial reports of BAZNAS. The methods of data collection used in this study are detailed in

Table 3. Interview data were collected between October and November 2016 from six districts, which included West Sumatra (Sijunjung), Riau (Siak), West Java (Bandung and Sumedang), Yogyakarta (Bantul), and East Java (Gresik) (Table 4).

Table 3 Methods of data collection

I	Secondary data	BAZNAS documentation and literature review	Findings related to the research on the impact of zakat program
II	Primary data	Direct survey of mustahik	Profiles, trends, and life patterns of mustahik receiving zakat

Tabel 4 Province, areas, and number of respondents

No	Province	Areas Surveyed	Number of Respondents
1	West Sumatra	Sijunjung	150
2	Riau	Siak	400
3	West Java	Sumedang	85
		Bandung Barat	63
4	Yogyakarta	Bantul	104
5	East Java	Gresik	200
Total			1,002

Sumber: Primary data 2016 (processed).

The survey data obtained from 1,002 respondents were verified and validated before analysis.

Methods of Data Analysis

a. Material Poverty Line

The BPS-Statistics Indonesia standard of poverty line was modified considering the data of year before zakat program was started and the year after the program started. Furthermore, the unit analysis was based on household instead of individual. Based on this, the households were categorized into either below poverty line or above poverty line. The formulas used were as follows:

- Material poverty line before start of the program: Poverty line of BPS year before x average number of family members per household year before

- Material poverty line after start of the program: Poverty line of BPS year after x average number of family members per household year after

b. Average Score of Spiritual Conditions of All Households

CIBEST requires the score of actual spiritual conditions of households. The spiritual score of each individual household was obtained using the following formula:

$$Hi = \frac{Vpi + Vfi + Vzi + Vhi + Vgi}{5}$$

where

Hi : spiritual score of household member i

Vpi : prayer score of household member i

Vfi : fasting score of household member i

V_{zi} : score of zakat and infak of household member i

V_{hi} : score of household environment based on perception of household member i

V_{gi} : score of government policy environment based on the perception of household member i

Then, an average score of spiritual conditions of one household was obtained:

$$SH = \sum_{h=1}^n \frac{H1 + H2 + \dots + Hn}{MH}$$

where

SH : average score of spiritual condition of one household

Hh : spiritual score of household member i

MH : total number of household members

From the average score of spiritual condition of one household, the average score of spiritual condition of all households was estimated using the following formula:

$$SS = \sum_{k=1}^n \frac{SHk}{N}$$

where

SS : average score of spiritual condition of all observed households

SHk : spiritual score of household k

N : total number of observed households

After obtaining the material poverty line and average score of spiritual condition, each household is then categorized according to the CIBEST quadrant as shown in Table 5.

Table 5 Classification of Households Based on Material Poverty Index (MV) and Spiritual Poverty Index (SV)

	< MV Score	> MV Score
> SV Score	Spiritually rich but materially poor household (quadrant II)	Materially and spiritually rich household (quadrant I)
≤ SV Score	Materially and spiritually poor household (quadrant IV)	Materially rich and spiritually poor household (quadrant III)

Source: Beik and Arsyianti (2015)

Table 6 Formulas of CIBEST Indices

CIBEST Indices	Formula	Narration
Material Poverty	$Pm = \frac{Mp}{N}$	Pm : Material Poverty Index; $0 \leq Pm \leq 1$ Mp : number of materially poor and spiritually rich households N : total number of observed households
Spiritual Poverty	$Ps = \frac{Sp}{N}$	Ps : Spiritual Poverty Index; $0 \leq Ps \leq 1$ Sp : number of spiritually poor and materially rich households N : total number of observed households
Absolute Poverty	$Pa = \frac{Ap}{N}$	Pa : Absolute Poverty Index; $0 \leq Pa \leq 1$ Ap : number of spiritually and materially poor households N : total number of observed households
Welfare	$W = \frac{w}{N}$	W : Welfare Index; $0 \leq W \leq 1$ w : number of spiritually and materially rich households N : total number of observed households

RESULTS AND ANALYSES

Measurement of CIBEST

Using a modified BPS approach, the value of MV (material poverty line) for the year

before and after the zakat program was introduced was determined. The results of the calculations based on the data from the surveys conducted in six districts are presented in stages.

Stage I: MV before and after zakat program

In our study areas, zakat program was either started in the end of 2014 or the beginning of 2015.

Material poverty line before zakat program (MV1): Poverty line of BPS yearbefore (2014) x average number of family members per household yearbefore
 $MV1 = \text{Rp } 311,767 \times 4 = \text{Rp } 1,247,068$

Material poverty line after zakat program (MV2): Poverty line of BPS yearafter (2016) x average number of family members per household year-after
 $MV2 = \text{Rp } 354,087 \times 4 = \text{Rp } 1,416,346$

Stage II: Spiritual value and monthly income

For the calculation of spiritual value by CIBEST mode, five indicators were

considered, including prayer, fasting, zakat and donation, households' environment, and government policies. Based on our survey in six areas, the results of spiritual value is presented in Table 7.

Table 7 Average spiritual score of mustahik households

Pre zakat	Post zakat
3.82	4.13

Source: Primary data 2016 (processed).

The spirituality of mustahik households has relatively increased after the implementation of zakat program, which included da'wa program in the form of public lectures at mosques. With regard to the changes in the income of mustahik households, the average monthly income significant increased from Rp 1,490,937 to Rp 1,928,897, which represents an increase of 41%. The average incomes in the six regions surveyed are presented in Table 8.

Table 8 Average monthly incomes of mustahik households

No	Region	Prezakat(Rp)	Postzakat(Rp)	Percentage Increase
1	Bandung Barat	1,678,791	2,059,585	22.68
2	Bantul	1,998,558	2,550,077	27.60
3	Sumedang	371,605	814,553	119.20
4	Gresik	1,754,850	2,103,600	19.87
5	Sijunjung	1,590,333	2,014,917	27
6	Siak	1,551,482	2,030,648	31
	Average	1,490,937	1,928,897	41

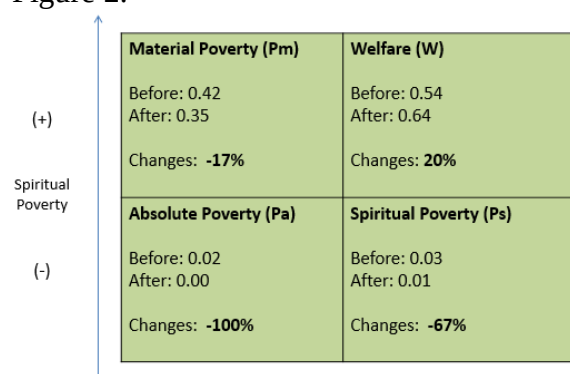
Source: Primary data 2016 (processed).

Based on the average monthly income per mustahik household, five areas were slightly above poverty line before the program, and after the program, those areas rose much higher than the poverty line. However, Sumedang is the only region in which the average monthly income before and after the program was still below the poverty line. Nevertheless, there was a significant increase of average monthly income from Rp 371,605 to Rp 814,553, which is 119%. It represents the largest increase among all other regions.

Stage III: Categorizing Mustahik Households into Quadrants Based on CIBEST Indices

After determining the poverty line, average monthly income, and spiritual score of mustahik households, the next step was to categorize mustahik households into CIBEST quadrants. Based on the data, the prosperity index (W) across the six regions increased by 20%, from 0.54 to 0.64. Then the Material Poverty Index (Pm) decreased by 17%, Spiritual Poverty Index (Ps) decreased by 67%, and Absolute Poverty (Pa) decreased by 100%. The classification of mustahik households

based on CIBEST indices is shown in Figure 2.



Source: Primary data 2016 (processed).

Figure 2 CIBEST quadrants of mustahik households

Based on the data, the increase in welfare index (W) was as a result of increase in both average monthly income and spiritual score. However, it was relatively less significant, with only 20%. In terms of *Pm*, it fell by 17%. Although the number of mustahik households in terms of *Ps* was relatively small, it decreased quite significantly by 67%. It is expected

to decrease in the future by 100%. Similarly, absolute poverty decreased significantly, with no mustahik households falling into this category.

Furthermore, the evaluation of zakat impact based on the CIBEST model shows that solutions to obstacles and challenges must be identified in order for the program to achieve maximum outcomes. More optimized action plans should be designed to assist mustahik in improving their welfare in terms of both material and spiritual aspects. Although the number of mustahik families in the spiritual poverty group were small, there is a concern that it may affect their belief in Allah and the teachings of Islam.

Therefore, to further improve both material and spiritual aspects of mustahik, more planning, monitoring, and evaluation of zakat distribution is necessary.

The changes in welfare and absolute poverty indices across the six areas surveyed are presented in Table 9.

Table 9 Changes in indices of welfare and absolute poverty

No	Province	District	Changes in W	Changes in Pa
1	West Java	Sumedang	7.14%	0%
2		Bandung Barat	24.49%	0%
3	Yogyakarta	Bantul	22.22%	-100%
4	East Java	Gresik	0%	-100%
5	West Sumatera	Sijunjung	47.27%	-100%
6	Riau	Siak	16.95%	0%

Source: Primary data 2016 (processed).

According to the table, three districts, Bantul, Sijunjung, and Gresik, have liberated from the absolute poverty group by 100%. Other three districts showed no change because previously there were no mustahik households in the absolute poverty group. Therefore, based on the increasing welfare index percentage, Sijunjung recorded the highest increase in its welfare index, by 47.27%, followed by Bandung Barat, by 24.49%, and then Bantul, by 22.22%.

The reason why these three districts improved their welfare index was because they have an intensive coaching program and a facilitator. Furthermore, BAZNAS is supervising the mustahik's business in these three districts to ensure their products are well managed, including the cashflow, distribution channel, packaging, etc. Moreover, the mustahik in these areas participate in da'wah activities, including gathering at the mosque or some public space to attend the Islamic public lecture.

Hence, this study makes it clear that an appropriate coaching program and a qualified facilitator can influence mustahik's welfare materially and spiritually.

Portrait of the Surveyed Areas

1. Siak (Riau)

The Siak district currently has 14 sub-districts with the total area of 8592.09 km². The total population in Siak was recorded at 424,884 (Mei 2011). The local government of Siak concerns about zakat and issued Instruction No.14 of 2012, which states that all public servants,

employees of state-owned enterprises, and other private employees are instructed to pay the zakat to BAZNAS. Zakat socialization in Siak is intensive. Therefore, the zakat collection has been increasing up to this year.

According to Table 10, the value of welfare index pre zakat was 0.59, but after a productive zakat program, it rose to 0.69, an increase by 16.95%. Although the material poverty index decreased by 25%, the spiritual poverty index had no change. Moreover, with regard to the absolute poverty index, no single mustahik household falls in this category both pre and post zakat.

Table 10 CIBEST Indices in Siak

	Pre Zakat	Post Zakat	Percentage Change
Welfare Index (quadrant 1)	0.59	0.69	16.95%
	Pre Zakat	Post Zakat	Percentage Change
Material Poverty Index (quadrant 2)	0.40	0.30	-25.00%
Spiritual Poverty Index (quadrant 3)	0.01	0.01	0.00%
Absolute Poverty Index (quadrant 4)	0.00	0.00	0%

Source: Primary data 2016 (processed).

Generally, BAZNAS has been quite successful in Siak in increasing the welfare index (quadrant 1) and decreasing the material poverty index (quadrant 2). However, there is still mustahik households in quadrant 3 (spiritual poverty index). This should not be underestimated. The da'wah program is very important to reduce the spiritual poverty of mustahik households.

'Sijunjung Cerdas', targeting 2,049 poor students, in the first half of 2016. The fund is about Rp 609.8 million. In 2014, BAZNAS in Sijunjung together with BAZNAS National and BAZNAS in West Sumatra had given zakat funds for Zakat Community Development (ZCD) program, amounting to Rp 210 million. Table 11 shows the impact of the distribution of the program in Sijunjung.

2. Sijunjung (West Sumatra)

BAZNAS in Sijunjung has distributed zakat funds for education, called

Table 11 CIBEST Indices in Sijunjung

	Pre Zakat	Post Zakat	Percentage Change
Welfare Index (quadrant 1)	0.55	0.81	47.27%
Material Poverty Index (quadrant 2)	0.34	0.18	-47.06%
Spiritual Poverty Index (quadrant 3)	0.06	0.01	-83.33%

Absolute Poverty Index (quadrant 4)	0.05	0.00	-100.00%
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Source: Primary data 2016 (processed).

Although the welfare index (quadrant 1) significantly increased from 0.55 to 0.81, an increase by 47.27%, the material poverty index and spiritual poverty index drastically decreased by 47.06% and 83.33%, respectively. The absolute poverty index also decreased by 100% post zakat program. Based on these data, we can conclude that zakat in Sijunjung has done very well.

3. Bandung Barat(West Java)

BAZNAS distributed zakat to mustahik households in several areas of West Java. In one area located in Bandung Barat, 63 mustahik were surveyed. As shown in Table 12, welfare index increased by 24.49% after the zakat program. Material poverty index decreased by 23.53%, from 0.51 to 0.39. Then, spiritual poverty index and absolute poverty index did not change either pre or post zakat program, since there were no mustahik households identified in this group.

Table 12 CIBEST Indices in Bandung Barat

	Pre-Zakat	Post-Zakat	Percentage Change
Welfare Index (quadrant 1)	0.49	0.61	24.49%
Material Poverty Index (quadrant 2)	0.51	0.39	-23.53%
Spiritual Poverty Index (quadrant 3)	0	0	0%
Absolute Poverty Index (quadrant 4)	0	0	0%

Source: Primary data, 2016 (processed).

It was observed that most of the respondents were factory workers (15%), traders (8.72%), and some were farmers (5.96%). The zakat program in West Bandung focuses on the development of micro entrepreneurs. Many homemakers now do their own businesses, such as bakery, snacks, etc. As a result, the average monthly income of mustahik households increased by 22.68%. Furthermore, the program of 'tabung desa' (village's saving) helps someone who needs interest-free loans.

4. Sumedang (West Java)

Our survey took place in one of the villages in Sumedang district, called Dayeuh Luhur. Most of the livelihoods of these village communities are based on farming. The number of farmers in this village is 82.05% of the total population. The rest of them are labors (11.54%). The survey results are presented in Table 13.

Table 13 CIBEST Indices in Sumedang

	Pre Zakat	Post Zakat	Percentage Change
Welfare Index (quadrant 1)	0.14	0.15	7.14%
Material Poverty Index (quadrant 2)	0.86	0.85	-1.16%
Spiritual Poverty Index (quadrant 3)	0.00	0.00	0%

Absolute Poverty Index (quadrant 4)	0.00	0.00	0%
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Source: Primary data 2016 (processed).

Although the majority of mustahiks in this area are still at the level of material poverty, their income increased by 119.20%, which is the highest among the districts surveyed. Their average monthly income per family before the program was Rp 300,000, which increased to Rp 800,000 after the program. The coaching program by BAZNAS trained mustahik in making local products such as banana chips. However, the production of banana chips is constrained by limited land availability and lack of proper distribution and hence the welfare index remains low.

5. Bantul (Special Region of Yogyakarta)

In Bantul, there are about 100 mustahik households. Here, people worked in agriculture, farms, and food processing. BAZNAS in Yogyakarta distributed aid in a different form, such as livestock breeding for breeders and money to those who do not have skills in farming, or a combination of both. The results of the survey are presented in Table 14.

Table 14 CIBEST Indices in Bantul

	Pre Zakat	Post Zakat	Percentage Change
Welfare Index (quadrant 1)	0.63	0.77	22.22%
Material Poverty Index (quadrant 2)	0.24	0.20	-16.67%
Spiritual Poverty Index (quadrant 3)	0.09	0.03	-66.67%
Absolute Poverty Index (quadrant 4)	0.05	0	-100.00%

Source: Primary data 2016 (processed).

The survey shows a low spiritual index in Yogyakarta, 0.03, suggesting that most mustahik households are trapped in spiritual poverty, which may be due to the lack of spiritual coaching. However, the increase in mustahik welfare should be appreciated because of the capital aid that fits their needs.

6. Gresik (East Java)

Gresik, located in the northwest of East Java, has a zakat institution that is directly working under the local government. BAZNAS in Gresik has a very broad authority, including zakat collection from

all companies or government agencies (SKPD). BAZNAS in Gresik has five main programs: Gresik Cerdas (education), Gresik Sehat (health), Gresik Peduli (social), Gresik Berdaya (economic), and Gresik Taqwa (da'wah).

Gresik Berdaya (economic) has distributed zakat funds in 2015 in the form of interest-free loans to 28 mustahik, working equipments to 3 mustahik, and cattle to 126 mustahik. The results of the survey are presented in Table 15.

Table 15 CIBEST Indices in Gresik

	Pre Zakat	Post Zakat	Percentage Change
Welfare Index (quadrant 1)	0.84	0.84	0.00%
Material Poverty Index (quadrant 2)	0.15	0.16	6.67%

Material Poverty Index (quadrant 2)	0.01	0.00	-100.00%
Absolute Poverty Index (quadrant 4)	0.01	0.00	-100.00%

Source: Primary data 2016 (processed).

Although we can assume that the program successfully improved the spiritual and absolute poverty, the index of mustahik welfare did not increase. This case needs to be evaluated by BAZNAS in Gresik, because although 128 mustahik had directly received benefit, the lack of economic gain could be due to lack of supervision or that farming is unsuitable for mustahik in the particular area.

CONCLUSION AND RECOMMENDATIONS

The results of our survey point out that the zakat program has been quite effective in improving the welfare index of mustahik households in both material and spiritual aspects. Our evidence shows that the welfare index has improved from as low as 7% to the highest of 47%, except for Gresik which remains unchanged. Moreover, the average monthly income of mustahik households in all areas surveyed has increased from the lowest of 19% to the highest of 119%. Furthermore, the levels of material poverty, spiritual poverty, and absolute poverty have also decreased.

The findings derived from each region are relatively diverse, due to differences in the social, economic, and culture aspects of mustahik households in a particular area. Furthermore, several factors can be determinant of the outcomes such as the intensity of coaching and monitoring of the program, etc. The distribution of zakat funds in the form of either cash or commodity like cattle, fertilizer, seeds, or a combination of cash and commodity is done to match the needs of mustahik households to establish or expand their businesses.

Coaching and supervision are important to guide the mustahik households in utilizing the distributed zakat fund. Based on the results of our survey, some recommendations can be offered:

1. For BAZNAS and other zakat institutions, the strategy of distributing zakat fund and developing the program is very important to ensure that the zakat program meets its intended objectives.
2. BAZNAS and other zakat institutions should adopt material and spiritual aspects of mustahik households as performance indicators.
3. Coaching is very important to ensure sustainability of the zakat program in order that mustahik's business grows and develops independently. Therefore, BAZNAS should act in the capacity of a program manager.

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Determinants of Zakat Compliance Behavior among Muslims Living Under Non-Islamic Governments

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ABSTRACT

Zakat is one of the five pillars of Islam hence it is attracting a lot of scholarly attention. However, most of the existing literature on Zakat are concentrated in Islamic countries like Indonesia, Malaysia, Pakistan, Jordan, Saudi Arabia and others. There are also some researches in some advanced non-Islamic countries such as the USA and UK. In these countries, though the government does not operate Islamic laws, there are organized NGOs that take care of Islamic affairs including Zakat. However, there are many parts of the world where Muslims live under non-Islamic government and are not assisted by NGOs. In those areas, Muslims live and perform their religious obligations without any form of institutional support. There are limited number of research relating to Zakat in those areas. This study seeks to fill this gap by investigating the determinants of Zakat compliance in Kogi State of Nigeria. The study was conducted through qualitative interviews. Findings show that, the absence of governmental or institutional support results in ignorance, lack of organization and attitudinal problems. Recommendations were offered to assist Muslims in such areas.

Keywords: Zakat compliance, Muslims in non-Islamic areas, Institutional support for Zakat

INTRODUCTION

Zakat is one of the pillars of Islam, making it to attract a lot of scholarly attention. Moreover, the attention on Zakat also arises from the fact that it is a sensitive economic issue. It involves the compulsory transfer of a share of one's wealth to the less-privileged. The importance of Zakat is stressed in the Holy Qur'an such that it is often enjoined in association with Salat (Qur'an 74:43-44). The traditions of the prophet equally placed a lot of emphasis on the obligation of Zakat. Numerous scholarly researches have been conducted on Zakat compliance especially on the factors that influence

compliance behavior. This is understandable as the level of poverty among the Muslim Ummah remains high (Ahmed, 2004).

Despite numerous previous research efforts on Zakat compliance, the fate of Muslims living under non-Islamic governments has received little scholarly attention. Most of the previous studies on Zakat compliance appear to concentrate on countries where Islam is the dominant and state religion (DeZayas, 2003). Such countries include Indonesia, Malaysia, Pakistan and the Islamic countries of the Middle East. However, it should be noted that the socio-political conditions in these countries are different from countries

where Islam is not the dominant religion and the laws are not derived from Islamic perspectives. For instance, the constitution in Muslim dominated countries like Malaysia provides legal framework for effective administration of Zakat (Ahmed, 2004). In contrast, the constitution of secular countries such as Nigeria considers Zakat and other religious obligations as a private affair. This means that issues of Zakat do not have any support from government and it is not supported by constitutional laws.

Since Muslims living under non-Islamic governments do not operate under national Islamic laws, it is left for the Muslims to organize their Islamic affairs privately and this constitutes a challenge to the Muslims. In the absence of government support and enabling laws, Muslims living in non-Islamic states are coordinated by Islamic community leaders such as imams and scholars. However, this cannot be as effective as situations where Muslims are supervised by Islamic governments. Even in the time of the prophet, affairs of Zakat were coordinated and supervised centrally by the prophet (De Zayas, 2003). This was also the situation after the demise of the prophet. For instance, it was reported that Sayyidina Abu-Bakr (R.A) used the authority of the Islamic caliphate to enforce Zakat compliance among the Ummah (Al-Qardawi, 1999; Bonner, 2003; Mattson, 2003; Nanji, 1985). To underscore the importance of enforcing Zakat compliance by the authorities, Abu-Bakr (R.A) responded to Umar (R.A), who warned him against waging war with fellow Muslims, in the following manner:

By Allah, I will fight those who differentiate between As-salat (the prayer) and the Zakat, as Zakat is the compulsory right to be taken from the property (according to Allah's orders). By Allah, if they refuse to pay me even a she-kid which they used to

pay at the time of Allah's messenger, I will fight with them for withholding it. Then Umar said "By Allah, it was nothing, but Allah opened Abu-Bakr's chest towards the decision (to fight) and I came to know that his decision was right" (Sahih Bukhari, Hadith No.1, 400, p.270).

The administration of Zakat by the Islamic government continued under Umar (R.A) and other caliphs after him. In contemporary times, the administration of Zakat by governments have continued in many countries that are practicing Islamic system and some scholars have argued that it is the responsibility of government (Abdullah & Suhaib, 2011; Abd-Wahab & Abdul-Rahman, 2011; De-Zayas, 2003; Singer, 2013). As argued by scholars (Ahmed, 2004; Ashafa, 2014; De-Zayas, 2003), when Zakat is left to individuals to manage without the support of government, it does not perform optimally.

This study investigates the situation of Zakat compliance in countries that are not governed by Islamic governments. There are some questions of interest in this study. Firstly, since government laws in secular countries do not cover Zakat, how do Muslims organize their Zakat matters on their own in such countries? Secondly, what are the challenges faced by Muslims living in such countries in trying to fulfill the religious obligation of Zakat? These questions are important because the absence of governmental support makes Zakat administration prone to peculiar challenges in such societies. Unlike the Islamic countries where governmental powers are used to collect and distribute Zakat, Muslims living under non-Islamic governments will need more of voluntary compliance.

Voluntary compliance means people have to comply on their own without being compelled. However, it is

difficult to achieve voluntary compliance in the absence of government authority. As noted earlier, the caliphs after the prophet used the coercive powers of government to collect and distribute Zakat in the early days of Islam (Al-Qardawi, 1999; Bonner, 2003; Mattson, 2003, Nanji, 1985). Additionally, how will the Islamic community under non-Islamic governments organize their Zakat affairs in terms of collection and distribution? How will they arrange the hierarchy of authority in the absence of government powers? These are fundamental questions that should be addressed in trying to understand Zakat compliance among Muslims in non-Islamic countries.

This study aims at addressing the issues raised above through a qualitative study. Interviews were conducted with Zakat stakeholders in the Nigerian state of Kogi in order to gain insight into the issues and challenges of Zakat compliance among Muslims living under non-Islamic governments. The study proceeds as follows: section two presents an overview of the literature on Zakat. Section three presents the methodology adopted by the study to find answers to the research questions. Section four presents the result and discussion, while section five concludes the study.

LITERATURE REVIEW

Zakat is the third pillar of Islam coming next to Salat in the hierarchy of the five pillars of Islam. According to Benthall (1999), Zakat is derived from the root-word 'Zaka' which means to purify. Purification in the sense that it cleanses the giver of greed while at the same time cleansing the receiver of jealousy. The giver is satisfied to have fulfilled his religious obligation and assisting a less-privileged Muslim while the receiver is happy to have been cared for by the richer Muslim. Zakat is meant to be paid annually on wealth that has reached a

threshold known as Nisab and should have been in possession of the wealth owner for one year (hal) (Ammani et al, 2014; Dogarawa, 2009; Ram & Rozani, 2014). It is important to note that Zakat is not only due on cash but encompasses productive assets and valuables such as crops, animals, merchandise, gold and silver (Abdul-Fattah, 2004; Singer, 2009; Islahi, 1993). The importance of Zakat is so much stressed in Islam to the extent that guardians of the wealth of orphaned children and the mentally challenged are obliged to pay Zakat on their behalf.

From the early history of Islam, Zakat was administered by the Islamic authorities in a collective manner. During the era of the prophet (PBUH), Zakat administration was controlled centrally. It was considered a public affair such that Zakat administrators were appointed by the prophet himself (Samad & Glenn, 2010). The prophet appointed people of integrity who went about assessing people's wealth to determine what was due as Zakat. Zakat funds were not mixed with other state resources because the Qur'an explicitly stipulated the beneficiaries of the funds. The following eight categories of people are qualified to receive Zakat as ordained by Allah (SWT) in the Holy Qur'an:

As-Sadaqaat (meaning Zakaat) are only for the fuqaraa (poor) and Al-Masaakin (the poor), those employed to collect (the fund) and to attract the hearts of those who have been inclined (towards Islam), and to free the captives, and for those in debt and for Allah's cause (i.e. for Mujahiduun – those who fight in a holy battle), and for the wayfarer (a traveler who is cut off from everything); a duty imposed by Allah. And Allah is all-

Knower, all-Wise (Qur'an, 9:60).

Al-fuqaraa (the poor): Abdul-Fattah (2004) defined the poor as someone who lacks the basic necessities of life which includes food, clothing and shelter. Poverty could result from paucity of means, old age, disability and other conditions. Abubakar & Abdul-Hakim, (2010) stated that people are considered poor if they do not have a job from which they can earn a living. The authors also contended that people who have the ability to earn a living but are constrained by religious duties are also considered suitable for receiving Zakat.

Al-Masaakin (the needy): There are differences of opinions among scholars on those that could be described as needy. Abdul-Fattah (2004), and Korayem and Mashhour (2014) claimed that the needy is in a worse condition than the poor. According to Ash-Shafi'i, the needy is someone who does not have enough to cater for his needs. Other scholars contended that the needy are people who possess nothing (De Zayas, 2003; Yusuf, 1990). However, the prophet's (PBUH) position on the person that could be termed needy is unambiguous. He stated that the needy is someone who does not ask for assistance from people due to modesty (Sahih-Al-Bukhari, 2, 557). However, the dividing line between the poor and needy is not well pronounced. Both are usually classified as people who lack the means to sustain themselves. Such people include orphans, widows, students, old people, the sick, and very low income earners (Adebayo, 2011; Kochuyt, 2009).

Al-Aamileena Alayhaa (the Zakat administrator): These are the people selected by the authorities to administer Zakat in terms of assessment, collection and distribution (Abubakar & Abd-Ghani, 2011). The administrators are entitled to part of the proceeds of Zakat as compensation for their effort (Abd-Fattah, 2004).

Al-Muallafati quluubuhum (those whose hearts are inclined): This category of people includes those that are given Zakat to make Islam attractive to them. Others in this category are converts whose faiths are still weak and those given Zakat to avoid their evil plans against the Muslims (Abdul-Fattah, 2004; Abubakar & Abd-Ghani, 2011; Al-Qardawi, 1999; Maududi, 1984). However, Abdul-Fattah (2010) reported that imams Malik, Abu-Hanifah and Ash-Shafi'i contended that this category of Zakat recipients should no longer be accommodated as Islam is already established and no longer requires wooing of converts. In contrast to the opinion of the imams, Abdul-Fattah (2010) argued that many Muslims still harbor weak faiths and need to be placed on Zakat in order to strengthen their iman.

Fee-Rriqaab (to free slaves): There is a consensus among scholars that the practice of slavery has ceased worldwide (Abubakar & Abd-Ghani, 2011). However, poor Muslims who are oppressed and prevented from practicing their religion could still benefit from this category of Zakat (Al-Qardawi, 1999).

Fee-Sabililah (in the way of Allah): Scholars are unanimous in their opinions that this category of people are those engaged in jihad. Giving them Zakat enables them to obtain basic necessities such as food and clothing (Abdul-Fattah, 2010; Kochuyt, 2009). Some scholars included students among this category (Abdul-Fattah, 2010; Al-Qardawi, 1999; Singer, 2009). Furthermore, Kochuyt (2009) asserted that proceeds from Zakat could be utilized in constructing mosques, schools, hospitals, religious foundations and even to fund relief programs. Though these initiatives are laudable, Abdul-Fattah (2010) argued that Zakat funds should not be invested in such capital projects as the poor and needy may not benefit from them.

Ibn Sabil (the wayfarer): This category of people are those that are on a journey and face the difficulties usually

associated with travelling. However, as noted by Abdul-Fattah (2010), the journey should not be performed to commit acts of disobedience.

Al-Ghaarimeen (the debtors): This category of Zakat is given to assist debtors in minimizing their debts because debts could prevent the faithful from fulfilling their religious obligations.

Zakat Administration Under Islamic Governments

Since this study investigates the determinants of Zakat compliance among Muslims living in non-Islamic jurisdictions, this section takes an overview of the literature on Zakat in countries practicing Islamic laws. This will enable comparison with countries where Muslims live under secular laws. In Islamic countries, payment of Zakat is compulsory while some Islamic countries consider it a voluntary affair and do not enforce it strictly. Countries in the first category include Sudan, Malaysia, Libya, Yemen and Saudi-Arabia (Lorenz, 2013; Obaidullah, 2016). In the second category of countries, though Zakat is supported by official law, it is left to the discretion of the individual Muslims. Countries in this category are Bahrain, Bangladesh, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon, and United Arab Emirates (Hashem & Shaier, 2015; Lorenz, 2013).

In Indonesia, the Zakat Act No. 23 of 2011 is enshrined in the constitution. It permits voluntary payment of Zakat and the payer could calculate the amount of Zakat due on his assets personally or engage the services of the Indonesian Zakat Authority, Badan Amil, Zakat Nasional (BAZNAS) (Latief, 2010; Lim, 2015; Obaidullah, 2016; Salim, 2014). In Brunei Darus Salam, Zakat administration is handled by the government through the Islamic Religious Council of Brunei. The council is vested with the power to collect and distribute Zakat funds (Rose, 2010). The council collects applications for Zakat

funds from potential recipients, verify claims by the applicants and disburse funds accordingly.

In Malaysia, Zakat matters are given priority by the government. Zakat is currently backed by law and each state in the Malaysian federation is permitted to enact its own laws concerning Zakat. Accordingly, each state has a State Islamic Religious Council (SIRC) which handles the affairs of Zakat in their respective states (Nurul Husna, 2010). The SIRCs are responsible for collection, distribution and other issues pertaining to Zakat administration (Abd-Wahab & Abdul-Rahman, 2011; Zainol et al, 2009). Interest in Zakat in Malaysia is divided into three categories: Zakat on business, Zakat on income, and Zakat on savings. Zakat on income is deducted from the salaries of wage earners at source (Zainol et al., 2009) thus making it a compulsory transfer.

Pakistan is another country that has made constitutional provision for the administration of Zakat. According to Shirazi (1996), Zakat was made an official state affair in Pakistan in 1980. Hitherto, it was performed voluntarily and paid directly to the less-privileged among neighbors, relatives and friends (Shirazi, 1996). Currently, Pakistan has a Central Zakat Council and provincial councils in each of the provinces. There are also district Zakat committees and village level committees (Abdullah et al, 2013; Shirazi, 1996). Zakat funds are accumulated centrally by the Central Zakat Council and managed by the State Bank of Pakistan from where it is shared to the provincial councils according to a stipulated proportion (Toor & Wabir, 2001; Abdullah et al, 2013). Suhaib (2009) asserted that the Zakat system in Pakistan is effective as it has assisted the poor with basic necessities. He stated that it provides special allowances for widows, destitute and the aged and sponsors education of the poor up to university level in some cases. It also provides free healthcare for the less-privileged (Lorenz, 2013).

Zakat Administration in Non-Islamic Jurisdictions

Among Muslims living in countries that do not follow Islamic laws, Zakat is performed as a private individual affair and in some cases coordinated by Non-Governmental Organizations (NGOs). Some of the NGOs are global in their operations. For instance, the International Islamic Relief Organization has branches in several countries and channels Zakat funds to areas of need such as natural disasters (Benthall, 1999). In America which is a non-Islamic country, Muslims have the option of paying their Zakat through the Zakat Foundation of America (ZFA) which then distributes proceeds to needy Muslims (ZFA, 2007). The ZFA board consists of scholars and professionals to ensure sound management. In South-Africa which is also a non-Islamic state, Zakat collection and distribution is performed by Non-Profit Organizations (NPOs). Singapore has an Islamic organization, Majlis Ugama Islam Singapura (MUIS) which performs the function of Zakat collection and distribution among the Muslim Ummah (Obaidullah, 2016).

Determinants of Zakat Compliance in Islamic and Non-Islamic States – The Nigerian Case

From the review of literature in this section, it is clear that the issue of Zakat is understood from two broad perspectives. These are Zakat under Islamic governments and those under non-Islamic governments where individuals and NGOs perform the function. Consequently, Zakat compliance is bound to be different in these areas. Countries with Islamic governments utilize governmental powers to collect and distribute Zakat as enshrined in their constitutions. For instance, income Zakat is deducted at source from workers in Malaysia (Zainol et Al., 2009). However, in non-Islamic countries, the

absence of governmental laws means Zakat compliance is subject to individual discretion and the ability of NGOs to coordinate collection and distribution. In non-Islamic countries, Zakat compliance cannot be as effective as they are in Islamic countries.

Despite the differences identified above, this study highlights a gap in the literature using Nigeria as a case study. There are billions of Muslims worldwide and some Muslims live in areas that are neither under Islamic jurisdiction nor assisted by NGOs in managing their Zakat affairs. Such Muslim communities are usually found in rural and backward areas. Nigeria presents an ideal case for investigating such cases. The country does not operate Islamic law at the federal level; rather, it operates a secular constitution (Olarenwaju, 2014). This is because the country is populated with a mixture of Muslims and Christians such that attempts to use the machinery of government to promote any religious doctrine usually generate controversy (Ostien & Dekker, 2010). There are 36 states that make up the Federal Republic of Nigeria. States in northern part of the country such as Kano, Bauchi, Sokoto, Kebbi, and Zamfara are predominantly Islamic hence they have local state laws to manage the affairs of Zakat. The south-western part of the country has a mixture of Muslims and Christians. However, the area is largely urbanized with a large population of educated Islamic elites and scholars; hence, NGOs are present, and they assist in managing Zakat affairs. The north-central part of Nigeria presents a unique case, which constitutes the gap in this study. This part of Nigeria has states that are populated by almost equal proportion of Muslims and Christians. The governments of such states follow the federal law; in other words, they are neither Islamic nor Christian laws. In fact, the laws are secular (Ostien & Dekker, 2010), leaving matters of religion to private discretion. Unfortunately, this part

of Nigeria is largely rural and underdeveloped. NGOs are not present, and there is no government support for Zakat administration, thus leaving it entirely to the discretion of individuals and the Muslim community. This is a unique case that is yet to receive adequate attention in the literature. Filling this gap is important because, apart from Nigeria, there could be Muslim communities scattered all over non-Islamic countries of the world facing similar situations.

METHOD

Research Design

The study adopted the qualitative methodology in investigating the issues raised by this study. As noted in the problem description, Muslims living under non-Islamic governments and without the assistance of NGOs represent an understudied group. This type of situation calls for exploratory studies that could be performed using the qualitative approach (Creswell, 2013). As noted by Marshall and Rossman (1989), the qualitative approach is more suitable for novel studies where variables are yet to be identified. The choice of the qualitative approach in this study is also in line with Creswell (2013), who stated that the approach is suitable for granting voice to a hitherto unheard group. Moreover, the qualitative approach is used to study a phenomenon about which little is known (Bricki & Green, 2007; Richard & Morse, 2013) and when a deep understanding of the issues is required (Merriam, 1988). Based on the position of experts on the qualitative approach as stated above, it appears the method is best for this study.

Population and Area of The Study

In line with the recommendations of Creswell (2013), the study follows a case study approach. Creswell described a case

study as having a clear and distinct boundary. In the case of this study, it is restricted to Kogi State in the central part of Nigeria. There is no official record of the number of Muslims in the state, but anecdotal evidence shows that there is a large population of Muslims living together with Christians in the state. Since the government is not involved in religious affairs, the issue of Zakat in this population is left to the initiative of the Muslim population. The Muslim population, as determined by this study, consists of three distinct groups: the wealthier Muslims, who are the Zakat givers; the poor and needy Muslims, who are the Zakat recipients; and the Islamic leaders/scholars, who provide religious leadership to the entire Islamic community.

Sample and Sampling Procedure

The study utilized the maximum-variation sampling strategy (Creswell, 2013). This strategy involves selecting participants with different characteristics in order to ensure credibility of the sample. This type of sampling enables the researcher to purposefully select samples from the population based on established criteria, taking cognizance of the diverse nature of the population (Creswell, 2013; Richard & Morse, 2013). As stated earlier, this study considers the population of Muslims to be divided into Zakat givers, Zakat recipients, and the Islamic scholars/leaders. Hence, the sampling of the study was purposefully performed along those lines. Samples (10 numbers) were selected from the population of the poor people (Zakat recipients). The selection was based on the definition of the poor, as provided in section two. Ten people were also selected from the population of the richer Muslims (Zakat payers). The sample of the Islamic scholars/leaders also consists of 10 selected persons, thus making a total of 30 participants.

Moreover, there is no specific requirement for sample size in a qualitative study (Richard & Morse, 2013). Qualitative study could stop further investigation if it gets to a saturation point (Gillham, 2005; Bricki & Green, 2007). The saturation point is the point at which no new evidence is being added to the existing one.

Data Collection Process

This study utilized primary data for the study, collected by way of interviews with the participants. Semi-structured interview was used in eliciting responses from the participants since it allows the researcher to be in control of the process (Creswell, 1984). Semi-structured also means that the questions to which responses were sought were predetermined by the researcher, although there was room for flexibility as the interview progressed. Responses at times lead to new questions, and in some cases, new questions were asked as a follow-up to obtained responses.

Method of Data Analysis

Thematic analysis was utilized to analyze the data from the interview transcripts. The first step was a thorough reading and re-reading of the transcript in order to understand the data thoroughly and to enable coding, which was the first task in the analysis (Marshall & Rossman, 1989). The coding process was started by assigning codes to fragmented words. The process followed recommendations of

Creswell (2014). Firstly, codes were written along the margins of the transcript. The codes were then arranged into categories, revised, and re-written until a satisfactory pattern emerged, as recommended by Yin (2011). The major categories or themes were developed in line with the research objectives, which seek to determine the factors that influence Zakat compliance in a unique case such as the one of Muslims living under non-Islamic governments. Care was taken to grasp the meaning in the data although this does not pose much problem since member checking was done during the interviews to verify the meaning of words that appeared ambiguous.

RESULTS AND DISCUSSION

The study set out to investigate the determinants of Zakat compliance behavior among Muslims living in non-Islamic territories through interviews with Muslims in the study area. The findings fall into three main themes of ignorance, attitudinal problem, and organizational problem. These themes also have sub-themes under them, and there was an overall theme of institutional factors, which appeared to be the main problem triggering the main themes. The conceptual framework of the findings is presented in Figure 1 and the discussion of the findings follows.

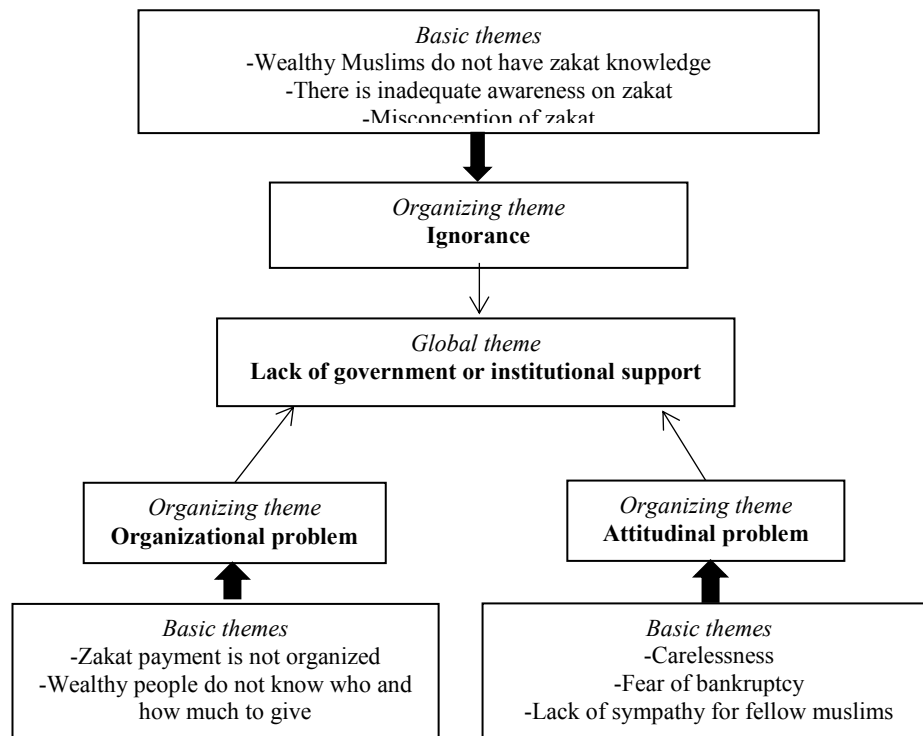


Figure 1 Thematic arrangement of interview findings

Ignorance

Ignorance of the Islamic religion and the obligatory pillar of Zakat appear to be a major problem among Muslims in the study area. For this reason, even those who are conscious of their religious obligations may not fulfill them appropriately if they do not have adequate knowledge on how to go about them. As noted by participant 15: “maybe because of lack of awareness on the administration of Zakat; in fact, when you come up with the issue of Zakat, people are like; they only know of Zakatul fitr, they cannot differentiate between Zakatul mal and Zakatul fitr.” Participant 19 is also of the same view as participant 15:

The Muslim, especially the well-to-do, they don't seem to understand Zakat. They thought Zakat is voluntary. They don't know that they are wealthy, when their wealth is up to what is called nisab, there are

obligations on them that Allah has placed on them...the only Zakat they know is Zakatul fitr, the one given at the conclusion of Ramadan fasting...and the sadaqah you give out on your way, when you see beggars.

Participant 19 added that people are not aware of the obligatory nature of Zakat as the third pillar of Islam. They thought when they performed salat, they have fulfilled the most important religious obligations, so other obligations such as Zakat is not necessary. In addition to awareness, the technicalities of paying Zakat require some knowledge of the Shari'ah. The average Muslim, especially in countries that do not have Islamic institutions to enlighten Muslims, do not possess the know-how on paying Zakat. In countries such as Indonesia, Zakat organizations, BAZNAS, engage Muslims in enlightenment campaigns to teach them the doctrines of Islam regarding Zakat

(Obaidullah, 2016). Where the Muslims live on their own, this institutional awareness creation is lacking. Although the Islamic scholars and leaders do create awareness on Islamic doctrines once in a while, it is not adequate, as stated by another participant. He stated that the Islamic scholars do not emphasize on the Zakat on wealth when they preach, in order not to be seen as intruding into the private lives of the rich people. Moreover, where there are no established institutions to manage a public affair such as Zakat, it is difficult for individual preachers and scholars to manage the situation. Moreover, the individual scholars are private citizens who have their own schedules and jobs to perform.

The findings of this study confirm those reported by previous authors (Ahmed, 2004; Ashafa, 2014; De Zayas, 2003) who argued that when Zakat administration is left to individual discretion, it cannot be as effective as when it is supervised by government. Moreover, according to the framework of the findings of this study (Figure 1), theme one, i.e., ignorance, does not exist alone; it is linked to the main problem, which is lack of institution and attitude problem. In addition to ignorance, as noted above, attitude factors also contribute to Zakat non-compliance among Muslims living under non-Islamic governments. Some Muslims are aware of their Zakat obligation but do not bother paying. In other words, their attitude towards Zakat is that of non-challans. According to participant 11: "...there is no person or government to oppose or challenge them, as was done in Islamic states of the past; acts of impunity becomes the order of the day." Participant 20 spoke in line with participant 11: "...it is ignorance and impunity, nothing will happen. You know, when somebody is daring God because they don't see God...they are daring God that nothing will happen."

Participant 20 emphasized the fact that breaking Allah's laws, such as not

paying Zakat, does not lead to immediate consequences in a society where Islamic law does not exist. Since there are no consequences, Muslims with low faith tend to avoid fulfilling their obligations. However, this problem does not exist alone as shown in Figure 1. Where Muslims live under Islamic institutions, there would be no need to wait for Allah's punishment to descend on Muslims who do not comply with Zakat, Islamic governments can take appropriate measures to take Zakat from Muslims. For instance, the case of Malaysia is reported in the literature (Zainol et al., 2009). The Malaysian government deducts income Zakat at source. In a situation similar to that of Malaysia, the government is able to control the attitude problem. However, where Muslims are left on their own, the attitude problem becomes worse.

Organizational problem

According to some of the participants, especially the Zakat payers, sometimes they would want to give Zakat but do not know who exactly to give. They end up giving whoever is close by or whoever they run into. The problem with leaving Zakat to individuals to pay as they deem fit is such that the whole system is subject to chaos. For instance, payers do not always know exactly who to give. They cannot know who has received from other Zakat givers already. However, in an organized system, there will be records of those that are receiving Zakat and how much they are receiving. Previous studies reported that Zakat applications are verified in Brunei before funds are disbursed to the recipients (Rose, 2010). This is only possible where institutions are involved. Moreover, contemporary Zakat management requires wisdom that can only be applied when Zakat is managed by institutions. Zakat funds are being invested to generate profit and increase the fund available for poverty alleviation as in the case of Brunei (Rose, 2010). All these

initiatives require modern management, which is absent in areas without Islamic governments and highly organized NGO support. Similar to the previous two themes, the theme of organizational problem is also linked to institutions. The findings of this study have contributed to the numerous literatures on Zakat compliance. The study is unique in the sense that it investigated Zakat in a context different from those reported thus far in literature. This study has brought the problem of Zakat among Muslims living under non-Islamic governments to the fore.

CONCLUSION

This study was conducted to investigate the problem of Zakat compliance among Muslims living in non-Islamic jurisdictions. Previous studies on Zakat had concentrated on traditional Islamic countries such as Indonesia, Malaysia, and Pakistan. Some states in Nigeria, such as Kogi, where this study was conducted, present a unique challenge in the effort to understand the dynamics of Zakat among Muslims. Being an exploratory study, the study utilized the qualitative approach. The findings point to ignorance, attitude problem, and lack of coordination as the key problems facing the Zakat system. However, in the context investigated, lack of institutional supports was found to be overall theme from which other themes developed.

The solution to the problems of Zakat among Muslims in non-Islamic contexts is not an easy one. Since the countries affected by this type of problem cannot be converted to Islamic countries and their constitutions cannot be amended to accommodate Islamic laws, it is left for Muslims to organize themselves based on the principle of the Islamic faith. Muslims in such areas may not be able to do it alone. Muslims from the more organized Islamic countries should assist their

brothers living under non-Islamic governments to organize their religious affairs, especially Zakat. They could do this by setting up Zakat offices for Muslims living in non-Islamic countries and providing assistance in the form of staff and equipment for such offices. This will go a long way to tackling the problem of Zakat in such Islamic societies.

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