

Factors Influencing Individual Participation in Zakat contribution: An Exploratory Investigation

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Abstract

The current paper is aimed to explore the factors that drive an individual towards giving away his or her own Zakat funds. The interview method is adopted for collection of data from 60 respondents in Peshawar. The respondents are selected on the basis of snowball sampling technique. The analysis technique used in this study is the principal component analysis with varimax rotation method. The findings of the study explored that Altruism, self-satisfaction and fear of Allah are the three main factors. These factors explain 65% variance in Zakat payment intentions. Among these items, the highest loading items are the hope to receive reward in heaven and the feeling of right of poor people in wealth of rich people. Regarding the mean composite scores altruism has the highest composite score. The findings of this study are in line with the previous literature. The study recommends that the moral obligations, sense of responsibility, the feelings of happiness and satisfaction as well as the level of faith (Iman) as the key factors that influence an individual while paying Zakat. Further study is required on large scale from other parts of the country. Similarly, the strength of association between these identified and other determinants of Zakat payment intention are yet to be tested.

Introduction

Zakat is the word used in Holy Quran which specifies obligations for rich Muslims to pay to poor Muslims of the Ummah. It is one of the five main pillars of Islam and mentioned twenty seven times in the Holy Quran. Zakat is so important that its order is given aligned with the order of Salah in Quran. It is a term of interest for the entire ummah and encompasses the geographic boundaries of a single Muslim state. In its essence, Zakat is Arabic word which means to purify,

or to grow. According to Zuhayly (2008), Zakat is the payment from a particular kind of wealth, which has reached to a specific level known as Nisab, (from Nisab of Zakat we mean the zakatable wealth), to the deserving persons of the society. Allah (SWT) clearly says that in your wealth there is the right of the poor (The Quran, 51:19). It means that wealth must circulate from the haves to the have-nots. It is for benefiting the poor and needy. Zakat is applicable at a rate of 2.5 percent from monetary deposits (such as gold, Cash, Silver, Diamond etc) laying idle for a one lunar year. For agricultural lands production, the rate of Zakat varies according to the type of lands (which is known as Usher). For instance, the production from lands with water supply of their own is charged with a rate of 10% while the land with no water supply of its own is charged with a rate of 5%. According to the Quran (09:60) Zakat should be given to the following types of people: "They are; the poor and the needy, those in bondage and in debt, those who are in the way (cause) of Allah, the wayfarer, those employed to administer the (funds) and those whose hearts have been (recently) reconciled (to Truth)." Zakat is one of the main sources of funds in a Muslim ummah. Every year, millions of money is contributed in the form of Zakat and other charity funds. Every Muslim state has designated bodies for collection and utilization of Zakat funds. Despite the fact, majority of Muslim states lie below the poverty line. Coupled with so many other factors, the lack of uniformity in collection and utilization of Zakat funds is responsible for this.

Some of the potential problems in current system of Zakat are slow allocation of Zakat funds, irresponsibility from government officials in allocation of funds and the mismanagement in utilization of funds. In addition, not only the statistics of Pakistan, but the entire Muslim Ummah shows a poor performance in collection and utilization of Zakat funds (Nafees, 2014). One main and probably the ignored problem is the giving away of Zakat funds through informal channels. Every year, a handsome portion of Zakat is given away by individuals through their own convenient channels. Unfortunately, due to the scattered nature of these donors, we are failed to have a systematic statistic of these funds contributed every year. The choice of these informal channels for the contribution of Zakat funds depends upon many factors. Some of these are discussed above. Other potential reasons can be the lack of trust on institutions, the self-satisfaction of Muzzaki, his or her subjective norms and values etc. The current paper is an attempt to explore the factors that drive an individual towards giving away his or her own Zakat funds. The particular research question that this research paper addressed is that what are the factors that influence an individual to participate in Zakat? In the remaining parts of the paper, related literature is provided, followed by the methodology, results and discussion and finally conclusion.

Related Literature

A study conducted by Rashid (2010) on motivation of an individual while paying Zakat depicted that religious and social factors are found to be influential for an individual while paying Zakat. The author also suggested that people must be aware regarding the allocation of their funds. In another study, Muda (2006) explored some factors responsible for the motivation of an individual while paying Zakat. Self-satisfaction, level of faith and altruism were found to be having 67.32% variation in Zakat payment intentions. Husna (2009) conducted a study about the intention of an individual to pay Zakat, and concluded that the behavioral control and attitude of an individual have significant impact on the intention to pay Zakat. The Author suggested the use of planned behavior theory in order to predict the intention of an individual while giving Zakat.

Reinstein (2006) stated that the act of worship is an important factor in Zakat payment intention of a Muslim. He further argued that paying Zakat on a right time is one of the indicators of faith of a Muslim. The author asserted that religious beliefs of an individual have a great impact over his behavior to pay Zakat. He added that the sense of self responsibility is another factor that affects an individual intention about Zakat payment. The same arguments are supported by Qardawi (1998) who identified the level of faith of an individual as an important factor for Zakat payment. Lunn, Klay and Dugluss (2001) are agree with these arguments and concluded that the religious beliefs of a person and his giving in Zakat has a positive relationship with each other. In their conclusion, they also asserted that it's not only the case with Muslims but also common in Christians. They claimed that those who are regular in worships in churches give more in charity than those who don't.

Ahmad (2005) came with an interesting and different conclusion. According to him, the credibility and efforts of the Zakat collection institutions play a significant role in collection of Zakat. In order to provide a support for his argument, the example of Malaysian government is put forwarded. Accordingly, the Malaysian government decided to outsource Zakat collection in the four cities namely Kula lampur, Selangor, Melaka and Pahang. Independent centers, working under the state's Zakat department were established to boost the collection of funds. This method succeeded in accumulating tremendous amount of funds in a year. Finally, the author concluded that other factors like promotional campaign, awareness campaign about Zakat, campaigns to convince salaried class for Zakat deductions are found to have significant impact on Zakat collection.

Guermant et. al., (2003) stated that the choice of channel for the payment of Zakat is also dependent upon the behavior of individuals. For example, in some Muslim countries, particularly in Gulf, people prefer to pay Zakat to independent charitable organizations rather than giving to the State's Zakat department. In other areas like Asia, particularly in Pakistan people have the habit to pay Zakat directly to the recipient. Therefore, it can be said that the theories related to behavior of individuals can be used as theoretical foundation while identifying the determinants of Zakat payment by an individual.

Methodology

Based on previous literature, an interview method is employed to obtain responses of respondents in district Peshawar. In order to obtain relevant sample size, snow ball technique has been applied. Only those people were interviewed who participate previously in Zakat contribution. A total of 60 respondents were interviewed. The respondents were asked different questions. The first section is designed to investigate the demographic information. The next section is related to what motivate an individual to pay Zakat. Initially, 12 items are discovered which are then grouped in different dimensions i.e., Self satisfaction, Altruism and religious factors (such as ta'abudi Fear of Allah). In order to get a concise list of the explanatory variables, Factor Analysis has been used in this research. It is one of those techniques that is used to obtain a small number of determinants to explain the maximum amount of common variance. In the first stage Principal Component Analysis (PCA) has been employed to obtain the factors identified in the initial statistical analysis. In order to minimize the number of loadings on a factor, the method of Varimax orthogonal rotation has been applied. Moreover, potential factor solution was observed and factors with Eigen values of less than one were discarded.

Results and Discussion

The following table 1.1 shows demographic information of the respondents. It includes information about gender, age and monthly income of respondents.

Table 1.1 Demographic Information

Variable	Frequency	Percentage
Gender (n= 60)		
Male	60	100
Female	0	0
Age (n=60)		
25-30	5	8.33
31-45	25	41.67
45-60	30	50
Monthly Income (n=60)		
Rs 50,000- 60,000	10	16.66
Rs 61,000-80,000	13	21.67
Rs 81,000- 100,000	33	61.67

Factors Effecting Individual Participation in Zakat Contribution

After subjection of data to rotation process, three factors with Eigen values greater than one are identified to have 65% of the total variance. These factors are fear of Allah, self satisfaction, and altruism. In order to interpret the items that loaded on each factor, the value of 0.50 is considered as minimum factor loading. After careful examination labels are attached to factors.

Altruism

Altruism means the set of moral and religious beliefs of a person that motivate him to participate in Zakat contribution. This factor explains 20% of the variance. The following table depicts the construct and their respective loadings values of altruism. The first item in the table is the feelings of rights of poor and needy people in one's wealth. It has the highest loading value of 0.743 with a mean value of 5.73 and standard deviation of 0.70. The next item is the gratitude with a loading value of 0.731, mean value 5.42 and standard deviation of 0.46. In the next row we have the item with a label to get blessing from Allah (SWT). It has the loading value of 0.688, mean value 3.70 and standard deviation 0.47. One of the basic purposes of Zakat is the cleanness of wealth. This item has a loading value of 0.648, mean value 3.62 and standard deviation of 0.81. The last loading item is the intention to help poor and needy.

Table 1.2 Loading Items For Altruism

Items	loading	Mean value	Standard Deviation
Rights of poor and needy	0.743	5.73	0.70
To show gratitude	0.731	5.42	0.46
To get blessing from Allah	0.688	3.70	0.47
Cleanse one's wealth	0.648	3.62	0.81
To help poor and needy	0.695	3.57	0.54

Self Satisfaction

The next loading factor is self satisfaction of a person while paying Zakat. It means that a person participate in Zakat contribution in order to achieve self satisfaction. Four items are identified that explain this factor. These items are improvement in lives standards of poor, feelings of social responsibility, feelings of happiness and feeling of self satisfaction. These are shown in table 1.3. Among all these factors, the highest loading factor is the improvement in lives of poor people with a value of 0.723 and mean value of 4.63. Another loading factor is the feelings of happiness for a person when pay Zakat. It has a loading value of 0.698, with a mean value of 4.42 and standard deviation of 0.52.

Table 1.3 Loading Items for Self satisfaction

Items	loading	Mean value	Standard Deviation
Zakat can improve lives of poor	0.723	4.63	0.60
Social responsibility	0.681	4.42	0.52
I feel happy to pay Zakat	0.698	4.60	0.62
I feel internally satisfied	0.558	3.62	0.70

Fear of Allah

One of the main factors that motivate a person to participate in Zakat contribution is the feeling of fear from God. There are three items to describe this factor. These are the hope to receive reward in paradise, the curse in hell for not paying Zakat and the feelings of an obedient follower of orders of Allah. These items are shown in table 1.4. Here the highest loading item is the hope to receive reward in paradise with a value of 0.745 and mean value of 3.77.

Table 1.4 Loading Items for Fear of Allah

Items	loading	Mean value	Standard Deviation
Reward in paradise	0.745	3.77	1.44
Curse in Hell	0.681	4.06	1.28
It's an order from Allah	0.583	4.75	0.43

Rank Composition by Scores

In table (1.5), factors are ranked according to their composite mean scores. It is calculated by dividing the sum of mean scores of a factor by the total number of items in that factor. By doing so, we get the altruism as the highest composite score with a total value of 22.04 and composite score of 4.40, followed by the feeling of self satisfaction and then the fear of Allah.

Table 1.5 Ranking of the factors by Composite Index

Rank	Factors	Total Mean	Composite Score
1	Altruism	22.04	4.40
2	Self satisfaction	17.27	4.31
3	Fear of Allah	12.58	4.19

Conclusion

Zakat is the word used in Holy Quran which specifies obligations for rich Muslims to pay to poor Muslims of the Ummah. It is one of the five main pillars of Islam and mentioned twenty seven times in the Holy Quran. The current paper is aimed to explore the factors that drive an individual towards giving away his or her own Zakat funds. The interview method is adopted for collection of data from 60 respondents in Peshawar. The respondents are selected on the basis of snowball sampling technique. The analysis technique used in this study is the principal component Analysis with varimax rotation method. The findings of the study explored 12 items that are grouped into three broad factors namely, Altruism, self satisfaction and fear of Allah. These factors explained 65% variance in Zakat payment intentions. Among these items, the highest loading items are the hope to receive reward in heaven and the feeling of right of poor people in wealth of rich people. Regarding the mean composite scores altruism has the highest composite score. The findings of this study are in line with the previous literature like Muda, 2006; Reinsten, and alqardavi (2006). The study recommends that the moral obligations, sense of responsibility, the feelings of happiness and satisfaction as well as the level of faith (Iman) are the key factors that influence an individual while paying Zakat. The study provides a theoretical foundation for the future researches. The scope of the current study is limited to district Peshawar; further study is required on large scale from other parts of the country. Similarly, the strength of association between these identified and other determinants of Zakat payment intention are yet to be tested.

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