

# FACTORS INFLUENCING INDIVIDUAL PARTICIPATION IN ZAKAT CONTRIBUTION: EXPLORATORY INVESTIGATION<sup>1</sup>

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## ABSTRACT

Zakat is one of the sources of funds available within the Islamic economic and financial systems and has become a part of *ijtima'i* studies. Although it is obligatory for Muslims to contribute to zakat, however the amount collected is relatively very small compared to the income tax collections. One of the reasons that led to this incident could be the lack of motivation among Muslims. The aim of this study is to investigate the factors affecting individual decisions in zakat contribution hence, provide an understanding of their motivation. In this exploratory study, factor analysis has been used to provide insights into the underlying structure of motivating factors of individuals participating in zakat. Data was collected using a survey questionnaire that was designed based on past studies from both the conventional as well as Islamic literature. The main dimensions were characterised by religious, utilitarian, self satisfaction and organization factors. In the analysis, the factor extraction method used was the principal component method with the Varimax rotation. Principal factor analyses identified five factors that explained 67.32 percent of the variance in the dataset and these were the "altruism", "level of faith", "self-satisfaction", "organization", and "utilitarian" factors. Further analysis indicates that the "altruism" has the highest score followed by faith (*iman*), self satisfaction, organization, and utilitarian factors. Based on the sample surveyed, the initial findings indicate that participation in zakat is not only motivated by religious factor but also self-satisfaction and organizational factors. The implication is that the efforts to raise the level of zakat activities should emphasise not only the religious aspect but also the individual's and organizational dimensions. This may have significant impacts on the personal financial planning and development of Islamic economic systems in general.

**Keywords:** Islamic economic system, Zakat, Personal financial planning, Factor analysis, *Ijtimai'* studies.

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## INTRODUCTION

Total zakat collected in 2004 by all Pusat Pungutan Zakat (PPZ) in Malaysia was only RM473 million (see <http://www.zakat.com/prestasi/statistik.html>) compared to RM48.6 billion of income tax collected by the Inland Revenue Board (IRB) (Utusan Malaysia, May 5, 2005) in the same year. IRB further estimated that it could collect about RM52.5 billion in 2005. If it is estimated that half of the population is Muslim, total zakat collected in 2004 should be at least RM20 billion. This figure indicates that Muslims are contributing to income tax rather than zakat. Realizing that zakat is the foundation of the financial structure in an Islamic economy, the figure of collection of zakat is not encouraging. The figure also demonstrates a lack of motivation amongst Muslims to pay zakat.

Al Quran and Al Hadith dictate that zakat is one of the pillars of Islam and people are obliged to pay zakat. While zakat is compulsory, Islam also encourages people to participate in other kind of voluntary charity activities. These voluntary charities include sadaqa, waqaf and hibah. Existing theoretical studies on zakat focus mainly on the fiqhi (juristic) aspects. Among the popular aspects are collection and distribution of zakat by the state, the imposition of zakat on new wealth and the levying of zakat on income. However there is lack of empirical research done on the real experience of people who are paying zakat. Thus this research aims to understand the influential factors in motivating Muslims to pay zakat. Is it mainly due to religious duty or there is other factors as well that play significant role in influencing Muslims contributing to zakat? The findings of this survey are expected to assist the relevant zakat organizations in increasing their zakat collection.

## LITERATURE REVIEW

It has been emphasised that, in Islam, the primary motivation of paying zakat should be the worship factor (*ta'abudi*). Muslim fulfils their duty in preserving common good by paying zakat, giving the needy and so forth simply because he or she is the servant of Allah s.w.t. In fact, the word zakat is repeated 32 times in the Qur'an, showing its importance and obligation (see, for example, Qur'an 2:43, 83, 110, 277). Muslims obey the religious obligation of zakat because it is one of the five pillars of Islam. Zakat is an important instrument for social justice as it leads to increased prosperity in this world and also leads to increase of religious merit (*thawab*) in the hereafter as its payment purifies individuals from sins (Muhammad Abdul Aziz, 1987). Al-Quran states that, "*Take from their property alms (sadaqa) in order to purify them that is from sins*" (Quran 9:103). Thus obtaining purification is another motivation for paying zakat.

Reinstein (2006) also supported worship factor as one of the main motivations that contributes to the compliance of zakat, sadaqa (donation) and other prosocial behaviour (*ijtima'i*). They further claimed that the act of paying zakat could be an indicator of high level of *iman* (faith). This is because individual compliance towards religious obligation to pay zakat is highly dependent on his belief of the religious teaching.

Apart from the worship factor, the individuals' level of understanding in Islamic principles will also motivates people to comply the injunction to pay zakat. This is supported by Aidit (1998) and Qardawi (1998) who suggested that non-compliance behaviour towards obligation to pay zakat is mainly due to the level of *iman* in individuals towards religious obligation. Reinstein (2006) also identified that religious belief as an important determinant of religious and secular giving. Lunn et. al (2001) also agree that one's religious belief has the impact on one's giving. Chavez as cited in Lunn et. al. (2001) notes that "the relationship between religious giving and involvement in religious giving is unambiguously positive". It is also worth mentioning that Lunn et. al. (2001) concluded that those who attend church regularly and the conservative Presbyterian (compared to liberal Presbyterian) give more.

In addition to the worship factor (*ta'abudi*), the studies examining the individual participation in *ijtimai'* contribution could be investigated through various perspective namely exchange theory,

social exchange theory and organization. Exchange theory, which was first developed by economists, assumes that all transactions involve some kind of exchange and things are exchanged for their economic or utilitarian value. This value could be actual material return or tangible benefits that accrue to the individuals or symbolic value such as pleasure or satisfaction that an individual derives from the act of giving. Based on economic theory, social exchange theory was developed. This theory assumes that exchange takes place on the basis of the symbolic value attached to things (Ekeh, 1974).

Both economic and social views assume that individuals engage in exchange to achieve certain important goals that are extrinsic to the behaviour they engage in. Extrinsic or instrumental rewards are a motivation source when individuals believe that behaviour will lead to certain valued outcomes, utilitarian or symbolic. Within social exchange theory (e.g. Bagozzi 1975, 1978, 1979) exchange is anchored in self-interest and individuals attempt to minimize their costs to obtain the most profitable outcomes. However, limits exist with regard to profit, beyond which individuals do not pursue self-gain. When these western theories are applied to zakat activities, it is assumed that individuals contribute to zakat because he or she gets some tangible benefits, rewards or self satisfaction from the activity.

A number of studies have indicated that the organization factor also plays significant role in motivating Muslim in paying zakat (Sanep Ahmad et. al, 2005). The collection of zakat in Malaysia was previously governed directly under the religious state affairs department. In order to reduce the bureaucracy problems, certain states such as Kuala Lumpur, Selangor, Melaka and Pahang have outsourced this task to centres for Zakat Collection (PPZ). These centres are an independent department of the respective state religious department that operates based on the commercial and professional basis. Interestingly, under the management of PPZs, the collection of zakat in the four states mentioned has increased tremendously. For example, collection of zakat in Selangor posted an increase of 19.4 percent in 2004 from RM86.3 million to RM107 million. (Mohamed Zamery, 2005). Based on this figure, Mohamed Zamery (2005) believes that the privatization of PPZ has significantly influence Muslims in paying zakat in Malaysia. However, the empirical study conducted by Nor Ghani et. Al (2001) does not support the theory. It was found that privatization has no significant impact on zakat collection. Other organizational factors such as zakat promotional campaign, perceived zakat service quality and salary deduction mechanism were found to influence significantly Muslims in paying zakat (Hairunnizam et. al, 2005 and Kamil, 2005).

Practices in other muslim countries has found to be slightly different. For example, Muslims in the Gulf countries prefer to pay zakat to the charitable organizations and also to the recipients of zakat (asnaf) directly. This behaviour could due to the misleading effect of religious belief that zakat is a relation between Muslims and God, thereby it is regarded as an individual efforts rather than an organized one. Hence, there appear to be some degree of objections among Muslims in the Gulf countries to pay zakat to an organization particularly the government religious body (Guermat et. al., 2003).

In summary, the theories relating to the *ijtima'i* activities, particularly zakat, could be derived from various perspectives namely exchange theory, social exchange theory, organisation theory and religious teaching. These will provide a theoretical foundation for understanding what influence people to participate in *ijtimai* (prosocial) activities such as zakat, sadaqa and waqaf. This study, however, focuses mainly on zakat in order to provide an initial insight into the behaviour of *ijtima'i* participants.

## **OBJECTIVES, RESEARCH QUESTIONS AND METHODOLOGY**

### **Objectives and Research Questions**

The objective of this study is to identify the possible factors that influence individual participation in zakat contribution and to assess the role of formal institutions in motivating Muslims participation in zakat contribution. The research questions formulated to guide this study are as follows:

- 1) What factors that influence individual participation in zakat contribution?
- 2) Which factors influence most? Are they motivated by religious factor alone since it is obligatory? Or, are there other “worldly” factors that motivate them?

### **Research Methodology**

Based on past studies from both the conventional as well as Islamic literature, a questionnaire was constructed for use in the study. The questionnaire is divided into three sections which include a section for screening the respondents, i.e. whether respondents participate in zakat. The next section asked for demographic variables that include gender, age, employment sector, highest academic qualification and monthly income. And finally, the last section that contained 34 items asked what motivates individuals to pay zakat. These 34 items were based on four dimensions which are religious factor (ta’abudi), self-satisfaction, utilitarian factors such as rewards or benefits gained, and organizational factors. The respondents were asked to indicate their agreement pertaining to the statement along the Likert of “1” to “5”, whereby “1” indicates “strongly disagree” and “5” a “strongly agree”.

To identify a concise list of explanatory constructs from the responses collected, a factor analysis was used. Factor analysis is a statistical technique for achieving parsimony by identifying the smallest number of descriptive terms to explain the maximum amount of common variance in a correlation matrix (Hair, Anderson and Tatham, 1990; Tinsley and Tinsley, 1987). The factors developed embody the meaning of the 34 original items within a more concise and useable list.

Principal-components analysis (PCA) was used to extract the initial factors identified in the statistical treatment of the data. Orthogonal rotation using a Varimax procedure was then performed on the responses used to minimize the number of loadings on a factor, thus simplifying the structure and making the solution more interpretable. Potential factor solutions were examined and solutions with factors having an Eigenvalue of less than one were eliminated. Additional inspection of factor solutions also considered the number of items loading on each factor, with preference to solutions with more than one item loading on a factor. Careful consideration was given to each factor solution that met all of these criteria and the final solution was selected to provide the most parsimonious representation of the data collected (Hair et. al, 1990 and Tinsley & Tinsley, 1987).

## **FINDINGS, ANALYSIS AND DISCUSSION**

### **Demographic Data**

Demographic information obtained from the respondents included gender, age, employment sector, highest academic qualification and monthly income. This information was deemed necessary for this study in order to determine how demographic classifications affected the motivation to participate in zakat contribution.

Sixty questionnaires were drop-off to respondents. Only 53 respondents return usable questionnaires. Out of 53 respondents, 49 percent are male while 51 percent is female. Majority of the respondents (69.8 percent) works in government sector. Only 17 percent of the respondents hold STPM qualifications and below, while 67.9 percent at least have first degree

qualification. Almost half of the respondents (47.2 percent) earn income between RM1,500 and RM3,000 per month. Table 1 provides the complete details for the respondents' profile.

Table 1  
*Frequency Counts for Respondents by Gender, Age, Employment Sector, Academic Qualification and Monthly Income*

<b>Grouping Variables</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender (n=53)</b>		
Male	26	49
Female	27	51
<b>Age (n=53)</b>		
18 - 24	1	1.9
25 - 34	32	60.4
35 - 44	10	18.9
45 - 54	6	11.3
Above 55	4	7.5
<b>Employment Sector (n=53)</b>		
Government	37	69.8
Industrial/manufacturing	2	3.8
Services	3	5.7
Self-employed	3	5.7
Others	8	15.1
<b>Academic Qualification (n=53)</b>		
Professional	1	1.9
Master /Ph.D	23	43.4
First Degree	12	22.6
Diploma/STPM/STAM	8	15.1
SPM/Certificate/	7	13.2
Matriculation cert.		
Others	2	3.8
<b>Monthly Income (n=53)</b>		
< RM1,500	6	11.3
RM1,501 - RM3,000	25	47.2
RM3,001 - RM4,500	18	34.0
RM 4,501 - RM6,000	3	5.7
> RM6,001	1	1.9

### **Factors Influencing Individual Participation In Zakat Contribution**

When carrying through a rotated factor analysis, five factors with eigenvalues above one were found which explain 67.32 percent of the total variance. By looking at the scree plot (Figure 1), the most important factors are the first three because that is where the bend occurs. Following the eigenvalues above one, the five factors collectively explained all of the 34 items on the questionnaire. For each factor a label which captured the essence of the loading items was identified. The constructs identified were *level of iman* (faith), altruism, self-satisfaction, reward and organization. In interpreting the items that loaded on each factor, the 0.50 level is a generally accepted minimum factor loading. Decisions about labels to attach to factors generated by the statistical process were made after considerable examination and discussion about the items included under each factor.



Figure 1: *Scree Plot*

Factor 1: Organizational Factor

The first factor that influences individual participation in zakat contribution is comprised of items related to organizational factor. This includes the availability of zakat collection center and the various services provided to facilitate zakat activity which accounted for 28.85 percent of variance. Table 2 provides a list of organizational factor item, factor loadings, item means and standard deviation. A respondent that scores high on this factor is one who believes that zakat collection center places a strong influence in Muslims zakat contribution. Based on the item mean, confidence in zakat collection center has the highest mean score which indicates that the organization that involves in zakat collection and distribution needs to be efficient, effective and transparent in its administration in order to instill high public confidence so that the amount of zakat collected would be increased.

Table 2  
*Item, Variable Loadings, Item Mean and Standard Deviation for Factor 1: Organizational Factor*

Item	Loading	Item Mean	Standard Deviation
Availability of payment facility	0.811	2.60	1.23
Availability of collection center	0.886	2.60	1.21
Convenient payment system	0.902	2.45	1.22
Confidence in zakat collection center	0.831	2.91	1.27
Salary deduction facility	0.659	2.42	1.15
Services offered by zakat collection center	0.921	2.53	1.14
Satisfactory service	0.873	2.40	1.18
Information on collection and distribution is transparent	0.574	2.72	1.20
Professionally managed	0.749	2.79	1.17
Influenced by zakat advertisement	0.875	2.43	1.10
On line payment facility	0.887	2.47	1.15

### Factor 2: Altruism

The items that are loaded on this factor are descriptive of altruistically motivated. This factor accounted for 19.51 percent of the variance. This factor relates to how religious beliefs or moral values influence individual to participate in zakat. Altruism according to Batson (2002) is the motivation with the ultimate goal of increasing the welfare of one or more individuals other than oneself. Altruism also refers to “intuitive” moral values and norms (Kolm, 2005). Table 3 provides all the items that are loaded to this factor. The highest mean score is to show gratitude and to get blessing from Allah.

Table 3  
*Variable Loadings and Item Means for Factor 2: Altruism*

<b>Item</b>	<b>Loading</b>	<b>Item Mean</b>	<b>Standard Deviation</b>
Rights of poor and needy	0.783	4.53	0.80
To show gratitude	0.841	4.72	0.56
To get blessing from Allah	0.828	4.70	0.57
Increase level of piety	0.851	4.51	0.75
Cleanse one's wealth	0.798	4.62	0.71
To help poor and needy	0.875	4.57	0.64
Sense of guilt	0.613	3.79	1.08

### Factor 3: Reward

The third factor is made up of items that related to individual self benefit from the act of paying zakat. Benefit gained includes tangible return and social approval. This self centered motives comprised of to be seen as generous, to increase business opportunity, to get praised and social support. Based on table 4, the highest mean score is 1.57 where individual is motivated to pay zakat to get more business opportunity. This factor accounts for 7.92 percent of the total variance.

Table 4  
*Variable Loadings and Item Means for Factor 3: Reward*

<b>Item</b>	<b>Loading</b>	<b>Item Mean</b>	<b>Standard Deviation</b>
To be seen as generous	0.646	1.42	0.53
Increase business opportunity	0.773	1.57	0.80
To get praised	0.870	1.28	0.45
To get social support	0.844	1.34	0.59

### Factor 4: Self-Satisfaction

The items that are loaded on this factor are identified as self satisfaction. They are individually satisfied from the act of giving zakat. They feel happy paying zakat, they are responsible society, generous and believe that they could also motivate others to participate in zakat contribution. This factor accounts 5.93 percent of the total variance.

Table 5  
*Variable Loadings and Item Means for Factor 4: Self satisfaction*

Item	Loading	Item Mean	Standard Deviation
Zakat improves Muslim economic condition	0.572	4.30	0.87
I am a socially responsible person	0.788	3.72	1.10
I am happy to pay zakat	0.578	3.87	1.04
I am generous	0.642	2.57	1.25
I like to be an exemplary	0.638	2.83	1.12

Factor 5: Level of *Iman* (Faith)

The last factor is mainly loaded with injunctions from Allah with regards to the obligation of paying zakat, reward for heaven for those who obediently follow the injunction and the punishment in hell thereafter if they do not contribute to zakat. These variable loadings are best identified as level of iman (faith). This factor accounts 5.11 percent of the total variance.

Table 6  
*Variable Loadings and Item Means for Factor 5: Level of iman (faith)*

Item	Loading	Item Mean	Standard Deviation
Heavenly reward	0.745	3.77	1.44
Belief in punishment in hell	0.681	4.06	1.28
It is obligatory	0.583	4.75	0.43

Ranking the Factors by Composite Score Analysis

In order to provide further understanding to the research problem, the factors were rank in terms of its composite score. The composite scores are calculated by dividing the total mean of each of the items loaded in a factor by the number of items loaded in its respective factor. The results are shown in table 6. The highest rank (4.5) is altruism followed by the level of iman (faith) (4.19), self-satisfaction (3.46), organization factor (2.57), and utilitarian (1.40).

Table 7  
*Ranking of the factors by Composite Index*

Rank	Factors	Total Mean	Composite Score
1	Altruism	31.47	4.50
2	Level of iman (faith)	12.58	4.19
3	Self satisfaction	17.29	3.46
4	Organization Factor	28.32	2.57
5	Rewards	5.61	1.40

## DISCUSSION AND CONCLUSION

Respondents were asked about their motivation factors on zakat contribution using survey questionnaire method. Factor analysis was used to identify factors that are related to the motivation of zakat contribution. The results of the factor analysis show that the items used in the survey split into distinct factors, describing religious, self-satisfaction and organization.

Altruism is identified as the main factors influence individual to pay zakat followed by religious, self satisfaction and organization factors. Reward has been found not to be the reason for zakat contribution. Based on this finding it can be concluded that individuals pay zakat not only because of religious factor, such as level of iman and belief but also because of satisfaction received from performing the activity, not only for one-self but for the happiness of others as well. These findings are consistent with the previous studies, for example Aidit (1998), and the contention in religious teaching such as Qardawi (1998). However, based on this study, there are other factors that contribute to motivate the respondents to participate in zakat. These factors include self-satisfaction and organization factors.

Results of this finding indicate that personal reward is not an important contribution for individuals to involve in an exchange. This may not support the contention of the theory of exchange which assumes that individual involves social or obligatory activities are motivated by the exchange for tangible benefits or rewards. It is also interesting to note that tax rebate is not the major influence for Muslims in contributing to zakat as the mean score is only 2.55.

Organization factor is also important. Even though the composite score is only 2.57, we cannot ignore this factor. This is because there are some respondents maintained that they pay zakat because they are satisfied and rely on the services offered by the organization responsible in the collection of zakat. This is also evidenced by the significant improvement in recent years due to institutionalized efforts.

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