Determinants of *Zakat* Compliance among Muslim Individuals: A Systematic Literature Review

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**Abstract**

*Zakat*, also known as almsgiving, is the fourth pillar of Islam. Extensive literature has reported different factors in influencing *zakat* compliance. This study aims to identify, review and synthesize the determinants of *zakat* compliance among Muslim individuals. The present paper carried out a systematic literature review (SLR) of the related literature. The inclusion criteria were: i) publication date between 2000 and 2020, ii) being an empirical study, iii) written in English, and iv) published in the Scopus or Google Scholar database. Following Preferred Reporting Items for Systematic Reviews and Meta-analyses (PRISMA) procedures, 12 eligible empirical studies were included. The review suggests that compliance to pay *zakat* is determined by 1) psychological factors, 2) environmental factors, 3) organizational factors and 4) socio-demographic factors. This study contributes to the literature by consolidating studies on the factors determining *zakat* compliance among Muslim individuals and offers some implications for practitioners in implementing appropriate strategies to increase *zakat* collection.

**Keywords**: *zakat*, compliance, PRISMA, SLR

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1. **Introduction**

*Zakat* is the fourth pillar of Islam. The purpose of paying *zakat* is to purify one’s wealth as well as to increase faith and devotion to Allah. *Zakat* is compulsory among all adult Muslims who are sane and possess the *nisab* (minimum amount) and *haul* (the minimum period of wealth retention). The importance of paying *zakat* has always been emphasized in the *Qur’an*. For instance, in Surah An-Nur, verse 56, Allah says “Perform prayer, pay *zakat*, and obey the Messenger so that mercy may be shown to you.” This verse obviously shows Muslims the instructions of Allah on the obligation of paying *zakat*. *Zakat* is important because it will not only benefit the individuals, but also the recipient and society at large. At the individuals’ level, giving from personal wealth diminishes the tendency of greed (Abu Bakar and Abdul Rashid, 2010; Al-Qardawi, 1999). At the society level, *zakat* collection that has been distributed will generate income for the poor and the needy, increasing their purchasing power and at the same time reducing the gap between the rich and the poor.

*Zakat* collection will be distributed to the eight *zakat* recipients based on the *Shariah* requirement. The Prophet (ﷺ), is reported to have said that *zakat* is distributed to eight (8) categories of people known as *asnaf*. This is in reference to Surah Al-Taubah, verse 60, where Allah says, “Alms are for the poor and the needy, those employed to administer (the funds), those whose hearts have been reconciled (to the truth), for those in slavery, those in debt, in the cause of Allah and for the wayfarer; (thus it has been) ordained by Allah, and Allah is full of knowledge and wisdom.” Islamic scholars have interpreted this verse as identifying the following eight (8) categories: 1) the poor (*Al-Fuqara*), 2) the needy (*Al-Masakin*), 3) administrators of *zakat* (*Al-‘Amilina ‘Alayha*), 4) those expected to convert to Islam (*Al-Mu’allaqati-Qubahum*), 5) those to be free from slavery (*Fi-Riqab*), 6) those in debt (*Al-Gharimin*), 7) those in the cause of Allah (*Fi-Sabilillah*) and 8) the wayfarer, stranded travellers (*Ibnas-Sabil*).
Zakat can be categorized into zakat fitrah and zakat on wealth. Zakat fitrah is compulsory to be paid by an individual in the month of Ramadhan, while zakat on wealth is only paid by the individual when the wealth had fulfilled the Shariah requirement. Zakat on wealth can be further divided into: 1) zakat on employment income which is paid based on the salary received, 2) zakat on business which is paid based on the profit received during the year, 3) zakat on saving which is paid when savings, fixed deposits, current accounts or unit trust funds fulfilled the nisab and haul requirements during the year, 4) zakat on gold and silver which is paid when both fulfilled the requirement of nisab 85 gm for gold and 595 gm for silver, 5) zakat on shares which is paid when the money is invested in the business or companies, 6) zakat on livestock which is paid on livestock products such as goats, sheep, cows, buffalo and camels, 7) zakat on crops which is paid on staple foods such as wheat and paddy, and 8) zakat on natural resources that should be paid including ma’adin, rikaz and kanz. Ma’adin is the zakat paid for all the minerals that can be extracted from the earth, such as gold and silver, while kanz refers to property buried in the earth. The term rikaz covers both ma’adin and kanz. Generally, every property buried in the earth is known as rikaz (PPZ-MAIWP, 2020).

Among the categories of zakat, zakat on wealth is usually given less attention as it has several categories. For instance, in terms of zakat on employment income, while payment of zakat on employment income through salary deduction has been introduced, the number of zakat payers that take up this method of payment is still unsatisfactory. It has been reported that out of 16,000 educators in Kuala Lumpur, Malaysia, only 6,500 pay zakat on employment income in monthly salary deductions (Muhammad Nasir, 2020). In Kedah, another state in Malaysia, data showed that only 44 percent of State Education Department staff pays zakat on employment income through monthly salary deductions although it is believed that the zakat payers pay at zakat collection centres (Bernama, 2017).

For other types of zakat on wealth such as zakat on business, less than five percent of publicly listed companies (PLCs) paid zakat on business in 2018, while 77 percent of PLCs were categorised as Shariah-compliant (Eza, 2019). In the context of zakat on savings, Nor Azman and Bidin (2013) reported that only 56 percent of the respondents who were working in the public sector pay zakat in the state of Kedah. In addition, Md. Idris (2002) and Bidin et al. (2009) found that while most of the employees paid income tax which is a legal obligation, they did not comply with zakat payment which is a religious obligation. Furthermore, it was reported that the total collection of zakat funds was still far behind compared to the collection of tax by the Inland Revenue Department (Sapingi et al., 2011).

In terms of studies related to zakat, there is a considerable body of research investigating factors determining zakat compliance among individual Muslims. Compliance refers to the action of paying zakat according to the fatwa and regulation gazette by authorities of zakat (Muhamad Sukri et al., 2016). Despite the growing number of studies on this topic, no systematic literature review (SLR) has been conducted on the determinants of zakat compliance by Muslim individuals. SLR synthesizes the literature in a systematic, transparent and reproducible manner (Tranfield et al., 2003). Hence, the objective of this study is to identify, review and synthesize the determinants of zakat compliance among Muslim individuals. A systematic review can provide useful insights to both academics and practitioners. A systematic review will also assist academics in understanding the factors that determine zakat compliance among Muslim individuals which are more highly cited or less cited in the literature, and they can design their study accordingly to ensure there is justification for further research. For practitioners, the findings of this review can help to develop a reliable knowledge base by accumulating knowledge from a range of studies (Tranfield et al., 2003). Therefore, practitioners and managers could accordingly design necessary strategies to tackle practical issues.

The structure of the paper is organized as follows: Section 2 focuses on the methods used to extract and synthesize relevant journal articles from search engines employed to search the relevant articles for the study; in Section 3, characteristics of studies that include descriptive results (such as year of publication, research methods and geographic scope) of this study are presented; Section 4 is a discussion of factors determining compliance of zakat organized into themes and discussed individually; Section 5 provides a summary of the study, its contributions, limitations and recommendations for future research studies.

2. Methods
The SLR approach in this current study adopted the Preferred Reporting Items for Systematic Reviews and Meta-analyses (PRISMA) proposed by Moher et al. (2009). The PRISMA statement was initially designed for researchers in the field of healthcare. Then, it was widely adopted in the field of business and marketing (e.g
Rowley and Keegan, 2020; Floren et al., 2019; Gamble et al., 2016). The PRISMA statement suggests information flow in four phases: identification, screening, eligibility and inclusion. Figure 1 presents the number of studies screened and excluded at different stages of the review.

The objective of this study is to identify, review and synthesize the determinants of zakat compliance among Muslim individuals. The first stage of the PRISMA protocol was identification of records. For the purpose of this study, to identify as many eligible studies as possible, all synonyms of “determinants” such as “factor” OR “motives” OR “motivation” OR “antecedent” AND “zakat” AND “compliance” OR “intention” were used in the article search. The literature search was conducted utilizing the Scopus and Google Scholar databases. These electronic databases provide coverage for research publications in the related disciplines. The publication year was set between 2000 and 2020. The literature search against the two databases resulted in 151 records. 129 records were identified from the Google Scholar database, and the remaining 22 records were identified from the Scopus database.

In the second stage, 12 records were excluded due to duplication, resulting in 139 records. The records were further screened and only research articles published in English-language, peer-reviewed journals were considered. Non-journal publications such as conference papers, book chapters and theses were eliminated. The screening process resulted in 27 records. In stage three, each of the remaining 27 studies was examined, and after a full-text review, 15 studies were excluded. Only studies related to individual zakat payers and empirical studies were considered. Studies related to business zakat payers were also excluded since this study focuses on individual Muslim zakat payers. A final total of 12 studies were selected and included in qualitative assessment and synthesis.

Figure 1: Steps in Systematic Literature Review

<table>
<thead>
<tr>
<th>Identification</th>
<th>Total records identified through database search (n=151) (Google Scholar = 129, Scopus = 22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Screening</td>
<td>Total records after duplicates removed (n=12)</td>
</tr>
<tr>
<td></td>
<td>Records excluded (n =112) (Non-English-language, non-article journals, full article not found)</td>
</tr>
<tr>
<td>Eligibility</td>
<td>Full text articles assessed for eligibility (n=27)</td>
</tr>
<tr>
<td></td>
<td>Full text articles excluded with reasons (n = 15) (Non-individual zakat payers, conceptual papers, different study objectives)</td>
</tr>
<tr>
<td>Included</td>
<td>Studies included in qualitative synthesis (n=12)</td>
</tr>
</tbody>
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3. Characteristics of Studies
The present section presents descriptive results obtained from the analysis of the 12 papers included in the SLR. The profiles of the studies extracted are presented in Figures 2, 3, 4 and 5. In this study, the publication year was set between 2000 and 2020. As shown in Figure 2, the first study was published in 2015 (Noor Azman and Bidin, 2015), and the remaining 11 studies were published from 2016 onwards. This shows an increasing interest among researchers to investigate on zakat specifically on zakat payment at the individual level. This trend also is consistent with the findings by Biancone et al. (2020) whereby they found an increasing trend of publications in Islamic finance publications from 2008 to the year 2020.

In terms of the country of publication, as shown in Figure 3, a majority (59%) of the work was conducted in Malaysia, followed by Indonesia (33%). Only one (8%) study was conducted in the Philippines. In Figure 4, zakat on employment income (42%) was the most researched type of zakat, followed by general/ wealth zakat (42%), zakat on savings (8%) and zakat on gold (8%). As far as the methods of analysis are concerned, as shown in Figure 5, all the studies reviewed were conducted by quantitative methodology. The quantitative studies mainly apply factor analysis, structural equation modeling (SEM) and regression analysis. A number of concepts and theories were used in the analyzed articles, which include the Theory of Reasoned Action (RA), the Theory of Planned Behaviour (TPB) and Extended Theory Planned Behaviour (ETPB).
4. Results and Discussions

This section discusses the themes and subthemes that explain the determinants of zakat compliance among Muslim individuals. As shown in Figure 6, zakat compliance can be driven by several factors: 1) psychological factors, 2) environmental factors, 3) organizational factors and 4) socio-demographic factors. The theme mentioned the most is psychological factors. Almost all the articles reviewed have included psychological factors as a determinant of zakat compliance. The second-highest factor is related to environmental and organizational factors. Lastly, the least-mentioned factor is socio-demographic that includes gender and level of education. The subsequent subsections discuss the subthemes.
4.1 Psychological factors
Psychological factors represent a major element in determining zakat compliance. This theme covers individual psychological and other elements that determine compliance of zakat. The review indicates several psychological elements such as i) religiosity, ii) attitude, iii) moral/ethical obligation, iv) knowledge and vi) perceived behavioural control.

4.1.1 Religiosity
A substantial body of literature in zakat studies has focused on the role of religiosity and how it influences the intention and motivation of people to pay zakat (Abdullah and Sapiei, 2018; Noor Azman and Bidin, 2015; Sheikh Mokhtar et al., 2018). Religiosity can be defined as the extent to which an individual is committed to their religion and its teachings (Johnson et al., 2001) (e.g., “Qur’anic teachings are applicable in today’s life.”) Noor Azman and Bidin (2015) claimed that individuals who are highly religious tend to participate in the act of zakat compared to individuals who have a low level of religiosity. The research explained that religiosity will influence a person’s character to perform a good act including paying zakat. A similar finding is recorded by Pangestu and Jayanto (2017) whereby a person who has a high level of faith will certainly understand how to act according to Islamic teachings, i.e., paying zakat. The findings from these studies are consistent with Floren et al. (2019) who conclude that much consumer behaviour has to do with Islamic beliefs and practices which include the behaviour of paying zakat.

4.1.2 Attitude
In investigating zakat compliance behaviour, there is general agreement that attitude represents a major factor that has been examined in most of the previous studies (Noor Azman and Bidin, 2015; Sheikh Mokhtar et al., 2018; Othman and Fisol, 2017; Muhamad Sukri et al., 2016; Yusoff and Hanapi, 2016; Andam and Osman, 2019). Attitude refers to the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question (Ajzen, 1991). Attitude comes from the belief of every individual based on the object of the attitude. An individual who has a positive attitude toward performing the behaviour will motivate the person to execute the desired behaviour (e.g., “I consider paying zakat on employment income favourable...”)

Figure 6: Themes, Subthemes and Associated Keywords
both to the individual payer and society as a whole.” Therefore, zakat institution can be predicted from a person’s attitude as to whether that person will comply or not in paying zakat.

4.1.3 Moral/ethical obligation
Moral or ethical obligation refers to people’s personal beliefs about what is morally right and wrong (Othman et al., 2020). Study has shown that perception towards moral obligation is important in predicting compliance, while low moral obligation leads to non-compliance (Braithwaite et al., 2006). Similar to the context of compliance to pay zakat, a sense of high ethical or moral obligations plays an important role in influencing an individual to pay zakat. Othman and Fisol (2017) found that moral obligation is significantly related to paying zakat on employment income. Another study found that a Muslim who has a positive perception towards ethical obligation has an intrinsic motivation to pay zakat because doing so is the ethical thing to do, which would end up helping other Muslims (Othman et al., 2020).

4.1.4 Perceived behavioural control
Some scholars have shown that perceived behavioural control (PBC) (Othman and Nayan, 2019) along with attitude is another psychological factor that is linked to an individual’s compliance to pay zakat. It is the belief on resources accessibility that enables the person to achieve the desired behaviour (Ajzen, 1991). In paying zakat, among the factors considered include whether the person has money to pay and knows how to pay (Hassan et al., 2019).

4.1.5 Knowledge
Knowledge about zakat is another important psychological factor that influences individual zakat compliance. Knowledge about zakat can include a Muslim understanding the basic knowledge about zakat such as the types of zakat, the nisab rate, the type of property that is subjected to zakat, the zakat calculation method, zakat laws and recipients of zakat. As regards to the knowledge factor, Muhamad Sukri et al. (2016) found that an individual’s knowledge of zakat is one of the important factors that increases zakat compliance payment. The study demonstrated that the higher a person’s knowledge in terms of zakat, the higher propensity to pay zakat. Therefore, individual knowledge about zakat is an important factor that influences individual compliance to pay zakat.

In short, religiosity, attitude, moral/ethical obligation, perceived behavioural control and knowledge are psychological factors that positively influence zakat compliance among Muslim individuals.

4.2 Environmental factors
Numerous studies have examined the role of environmental factors in determining individual’s zakat compliance (e.g., Sheikh Mokhtar et al., 2018) as individual will learn from their environment. The environmental factors from the SLR include social influence and law enforcement.

4.2.1 Social influence
The social influence variable has been explored in studies concerning zakat compliance behaviour, and the importance of this construct in consumer behaviour is widely recognized. Social influence can include external factors that can influence individuals’ decision to pay zakat. For instance, reference groups are individuals/groups whose perspective is that an individual considers such as family members, friends or celebrities. In paying zakat, Noor Azman and Bidin (2015) found that a reference group is significant in influencing zakat compliance behaviour on savings. A study by Sheikh Mokhtar et al. (2018) further explains that subjective norms that relate to social pressure from surroundings will increase the compliance level and collection for zakat institutions.

4.2.2 Law enforcement
In addition to social influence, law enforcement is another environmental factor that determines zakat compliance behaviour. Md. Idris (2002) argued that law enforcement is required to control and guarantee that all individuals will act in accordance with the law. Also, it has been acknowledged in the literature that sanctions and reward systems in religious institutions might also influence followers to act in line with accepted rules and laws (Abdullah and Sapiei, 2018). It seems that law enforcement is crucial in ensuring zakat compliance behaviour as studies by Md. Idris (2002) and Bidin et al. (2009) found that most employees paid
income tax, a legal obligation, but did not pay zakat.

4.3 Organizational factors
Another theme that explores factors influencing Muslim individuals’ zakat compliance is the organizational factors. These factors represent elements on the zakat institution level that influence Muslim individuals to pay zakat. The factors include perceived corporate credibility, accountability, transparency and promotional exposure by the zakat institutions.

4.3.1 Perceived corporate credibility
Perceived corporate credibility explains how far the perceptions of customers toward the ability to execute its promise and sincerity in revealing the truth (Newell and Goldsmith, 2001). In the context of zakat, Noor Azman and Bidin (2015) found that perceived corporate credibility significantly influences zakat compliance behaviour on zakat savings. The authors further explained that zakat institutions should be transparent in managing zakat collection and distribution whereby the amount of zakat collection and distribution should be disclosed to the stakeholders.

4.3.2 Transparency
Transparency practiced by zakat institutions will influence individuals’ intention to pay zakat. Transparency deliberately provides all information which is able to be released legally, either positive or negative, on time, balanced and firmly with the aim to improve the ability of public reasoning and maintain the responsibility of the organization for its actions, policies and practices (Pangestu and Jayanto, 2017). Results from Pangestu and Jayanto (2017) study showed that transparency is built on the freedom of accessing information needed by the community. That is, information that relates to the public interest directly can be obtained by those in need.

4.3.3 Accountability
Other than practicing transparency, zakat institutions should be accountable in performing their functions to the stakeholders. Pangestu and Jayanto (2017) defined accountability as the responsibility of management or the recipient of the trust to the giver of the trust on the management of the resources entrusted to him either vertically or horizontally. A study by Pangestu and Jayanto (2017) found that accountability plays a significant role in motivating zakat buyers to pay zakat.

4.3.4 Promotional exposure
Promotional activities such as advertising, promotion, public relations, personal selling and direct marketing conducted by a zakat institution can influence Muslim individual’s decision to pay zakat. Othman and Nayan (2019) revealed that promotional exposure was among the significant variables influencing intention and compliance behaviour. Through promotional exposures, zakat institutions can inform, convince and remind individuals to pay zakat.

4.4 Socio-demographic factors
Socio-demographic factors (e.g., gender, education) have also been explored in studies concerning factors determining compliance. For example, with regards to gender, a large body of scientific literature confirms that gender plays an important role in determining consumer behaviour as males and females are traditionally, culturally and socially different (Liao et al., 2015). In the context of zakat, a study by Abdullah and Sapiei (2018) found that working females are less compliant to zakat obligation compared to their male counterparts, and there is a possibility that working females perceive that zakat obligation is only related to the males or head of the household. Another socio-demographic element that influences an individual zakat compliance is the individual education level. A study by Sobana et al. (2016) found that the level of education an individual attains is positively related to zakat compliance.
5. Conclusion, Limitations and Future Research

This paper presents an SLR of 12 papers that focus on the determinants of zakat compliance among Muslim individuals. The review of the literature shows that the determinants of zakat compliance can be categorized into four main themes: 1) psychological factors, 2) environmental factors, 3) organizational factors and 4) socio-demographic factors. All the studies adopted quantitative research design and were published in Malaysia, Indonesia or the Philippines. The main contribution of this study is that it makes the first attempt to provide a more holistic explanation of the determinants of zakat compliance. It consolidates the limited and scattered literature, and organizes them into several themes and subthemes. It also summarizes and describes the methods used by existing research and provides guidance for future researchers on choosing the suitable methods for their study.

The study has several limitations. First, in terms of types of publications, only articles were included in the dataset, and books, book chapters and conference papers were excluded. This meant that papers that could potentially have been relevant were excluded from the study. Similarly, only articles published in English were considered for this study. Therefore, inclusion of articles from other languages, such as Malay, may increase the number of determinants of zakat compliance. Secondly, this study extracted papers from the Scopus and Google Scholars databases only. Even though these databases provided a wide coverage of the academic literature, the inclusion of other databases in the search of articles could have increased the number of themes and sub-themes identified in this study.

This study also has implications for zakat institutions in implementing appropriate strategies in encouraging Muslims to pay zakat. For instance, psychological factors such as knowledge and religiosity were found to be important determinants in zakat compliance. Therefore, zakat institutions should play a role in educating the public on the importance of paying zakat. Otherwise, this study found that Muslim individuals placed importance on the transparency, accountability, perceived corporate credibility and promotional activities of zakat institutions. Hence, zakat institutions should be transparent in managing zakat collection and distribution whereby the amount of zakat collection and distribution should be disclosed to the stakeholders so that zakat payers who perceived the zakat institutions positively will encourage them to pay zakat because they know how their contribution has been utilized. In addition, the importance of promotional exposure is highlighted in the previous studies. Therefore, zakat institutions should make a proper plan and organize marketing activities that include direct marketing, advertising or public relations in order to increase individual zakat compliance behaviour.

Future research that aims to identify the determinants of zakat compliance can use qualitative methods such as conducting interviews or focus groups. Research that primarily focuses on quantifying the factors that influence individual zakat compliance could use a combination of descriptive statistics and correlational analysis such as regression analysis or structural equation modelling, after collecting observational or experimental survey data from zakat payers. Lastly, future research could investigate more in-depth the role of law enforcement that could affect zakat compliance behaviour.

Acknowledgment: The author would like to acknowledge the financial support provided by Pusat Pungutan Zakat, Majlis Agama Islam Wilayah Persekutuan (PPZ-MAIWP) (USIM/MAIWP/FEM/LUAR-K/40221). The author would also like to thank the anonymous reviewers and the editor for their invaluable comments and suggestions which has helped to improve the paper.

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