DETERMINANTS OF MUZAKKI' PREFERENCE IN INDONESIA: CONCEPTUAL FRAMEWORK ANALYSIS

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Abstract

This paper aims to critically evaluate a conceptual framework of determinants of muzakki' preferences in Indonesia when discharging their zakat obligations developed in Putriana (2018). Understanding preferences of muzakki in Indonesia is critical due to the huge zakat potential owned by Indonesia that can be explored and utilized by zakat institutions for maximum benefits of Indonesian people. The knowledge and understanding of muzakki' preferences in choosing their zakat distribution channels will help policy makers to issue regulations required that help zakat institutions amplifying their roles and capacity. For zakat institutions, the knowledge and understanding is useful to formulate strategies needed to persuade muzakki in Indonesia to trust them managing their zakat. This study contributes to the development of a more comprehensive conceptual framework of determinants of muzakki' preferences in Indonesian context. The current study also attempts to establish communication among researchers with different backgrounds working on the topic of muzakki' preferences

Keywords: Determinants, Muzakki' Preference, Zakat Institutions

INTRODUCTION

Zakat is the third pillar of Islam that is defined as a portion of wealth taken out and then given to a group of recipients as defined in the Holy Quran (QS. 9:60). Among the objectives of *zakat* is to purify one's soul and wealth possessed (Shiddieqy, 1987). Zakat is one of key concepts of Islamic social finance that is powerful instrument to eradicate poverty when properly managed and used according to sharia principles. Therefore, zakat is ideally collected and managed by the authorized institution(s). The current practice, however, seem to be different from an ideal condition for instance in Indonesia as the largest - Muslim majority country in the world. This argument is based on the fact that the amount of zakat collected by the authorized institutions is much smaller compared to zakat potential owned by Indonesia. The latest data shows that zakat potential of Indonesia is about 233 trillion rupiah whereas the amount collected by zakat institutions was over 8 trillion rupiah or 3.34% (Beik, 2019). The very small portion of zakat potential that have been able to collect by the authorized zakat institutions in Indonesia implies that majority of muzakki in Indonesia

may have paid their zakat directly to recipients as indicated in Putriana (2018) and Amri and Marwiyati (2019). Although, there is also a possibility that there are still many Muslims that have not paid zakat yet (see for instance Mahanani *et. al.,* 2019 for specific case of income zakat).

Related to the first explanation of why zakat collected by zakat institution is relatively very small, Putriana (2018) offers an interesting insights. The study has identified four factors that influence muzakki' preference in discharging their zakat obligations; whether to pay zakat directly to recipients or to channel it through an institution. The factors include 'zakat awareness', 'trust', 'tradition', and 'income level'. A year after the publication of her study, there have been at least four new studies on the similar topic published in academic journals (see Amri and Marwiyati, 2019), Susanti and Alfin (2019), Deasy and Rahmawati (2019) and Mahanani et al (2019). Therefore, there is a needs to revisit the conceptual framework of determinants of muzakki' preferences in Indonesia. The current study therefore aims at critically evaluate the proposed conceptual framework built in Putriana (2018). This study is expected to contribute to the improvement of the conceptual framework by taking into consideration insights from the relevant studies and to define indicators of each determinant.

The rest of the paper is structured as follows. Section 2 describes research on muzakki' preferences in Indonesian context. Section 3 presents conceptual framework of Putriana (2018) and discusses in more detail the elements involved in the framework. The discussion will bring insights from recent studies on the similar topic to see what factors that have been examined in other studies but have not been included in Putriana's (2018) framework. Then, how each element is conceptualized by Putriana (2018) and how the conceptualization differs from others. At the end of the discussion, the revised framework will be presented. Finally, conclusions and research agenda.

Research on Muzakki' Preference in Indonesia

There have been some studies conducted by researchers from different backgrounds and disciplines related to preferences and behaviour of *muzakki* in discharging their *zakat* obligations. The search through google scholar using the key '*muzakki* preference' a number of articles found such as Amri and Marwiyati (2019), Susanti and Alfin, (2019), Deasy and Rahmawati, 2019 and Mahanani *et. al.,* (2019). Amri and Mawiyati (2019) is a study on *muzakki'* preferences in Banda Aceh. The study examined seven factors: trust, easiness to reach location of *zakat* institutions, services quality of *zakat* institutions, understanding of *zakat* management, understanding of religion, public information and environment of *muzakki.*

The finding of the study showed that four factors were among the dominant ones that influence a *muzakki* whether to pay *zakat* through an institution (i.e. Baitu Mal) or not. The dominant factors were environment, services quality, understanding of *zakat* management and location of the institution that was easy to reach. The study employed random sampling technique to chose 286 respondents of the study. Amri and Marwiyati (2019) also offers an interesting findings: The study has examined respondents' preferences in terms of gender, age, marital status, education and profession. The study concluded that muzakki' preference differs in terms of gender, profession and income level. For instance, it is said that muzakki with income more than 5 million rupiah per month preferred to pay zakat through Bantul mal whereas those having income less than 5 million rupiah per month preferred to pay zakat directly to recipients. However, there is no difference of muzakki' preference in terms of marital status (i.e. single or married), education (possessed higher education or not) and age (<35 years or > years).

The second study was conducted by Susanti and Alfin (2019) that tested the influence of accountability and independence of a *zakat* institution (i.e. Izi PKPU) in Bukittinggi. The study showed a positive correlation between *muzakki* preference and the two factors. The study involved 30 respondents who were the permanent *muzakki* of the institution studied. However, the study does not really help improve our understanding of determinants of muzakki' preferences in paying zakat as there is no new insights offered by the study. The next study was conducted by Deasy and Rahmawati (2019) who have studied factors influencing *muzakki*'s preference to use online payment method in Surabaya. Using descriptive analysis, the study discovered three factors determining the *muzakki'* preferences: knowledge on digital *zakat*, level of certainty and level of satisfaction.

Then, a study undertaken at Bogor Agricultural University offered an interesting insight (see Mahanani *et. al.,* 2019). The study suggested that two factors namely service quality offered by a *zakat* institution and income level significantly influence employees' preference to pay *zakat* through the authorized institution in the university. Moreover, demography factors such as occupation and gender also seemed to have influence. The study classified respondents into two categories: lecturer and administrative staff. The interesting result is that lecturers are likely to pay zakat through then institution than administrative staff. Main reasons mentioned by respondents who paid zakat through institutions are convenient, accessibility and professionalism of the institution. The influence of gender and marital status, however

were not significant in Mahanani *et. al.,* (2019) study.

Previous studies such as Ekawaty (2017) has studied selection of *zakat* distribution channels by *muzakki* in Malang. The study suggested three channels used: giving *zakat* directly to recipients, paying zakat through institutions and combination of both. Factors influencing the preferences were income, education and age. Those who have higher income, higher education and younger age are likely to pay *zakat* through institutions and vise versa. This result is different from Amri and Mawiyati (2019) that found that there was no different influence of age and education on muzakki' preference in Aceh whether to pay zakat directly to recipients or Baitul mal. Next, Darma, Siregar and Rohan (2017) studied factors influencing preference of *muzakki* in choosing a particular *zakat* institutions among many institutions available in Medan, North Sumatera. Three factors are assumed to determine *muzakki'* preferences: promotion, services, and location.

Two studies published in 2016 that are worth of mentioning here are Satrio and Siswantoro (2016) and Muthohar (2016). Satrio and Siswantoro (2016) analyzed factors influencing *muzakki'* preference to pay professional *zakat* through *zakat* institutions. Three factors included in the study were income, trust and religiosity. based on suvey that involved 200 respondents working at the Indonesian Stock Exchange, the study

concluded that income, trust and religiosity have a positive correlations with *muzakki'* preference to pay professional *zakat* through institutions. Finally, a study conducted by Muthohar (2016) attempted to study *muzakki* preference in Joyyakarta and Semarang and concluded that boths ways (i.e. paying zakat through institutions or giving it directly recipients) were practiced by *muzakki*. The study however did not identify the determinants of muzakki' preferences but explored preference of *muzakki* in terms of which type of zakat institutions preferred by muzakki. The finding of the study suggested that *muzakki* prefer to pay *zakat* to independent institutions instead of government institution.

Table 1. Summary of Research on *Muzakki'* Preferences in Indonesia

| No.	Author(s)	Determinants	Institutional Background of Researchers
1.	Amri and Marwiyati (2019)	a. Trust b. Easy to reach institutions' locations c. Services d. Understanding of *zakat* e. Understanding of religion f. Public information g. Environment	Islamic Higher Education Institution
2.	Susanti and Alfin (2019)	a. Accountability b. Independency	Islamic Higher Education Institution
3.	Deasy and Rahmawati (2019)	a. *Zakat* knowledge b. Level of certainty c. Level of satisfaction	Islamic Higher Education Institution
4.	Mahanani et al (2019)	a. Service quality of institutions b. Income level c. Occupation d. Gender	General university
5.	Putriana (2018)	a. *Zakat* Awareness b. Trust c. Traditions d. Income Level	General University
6.	Ekawaty (2017)	a. Income b. Education c. Age	General University
7.	Dama et al (2017)	a. Services b. Promotion c. Location	Islamic Higher Education Institution

8.	Satrio and Siswantoro (2016)	a. Income b. Trust c. Religiusitas	General University

Table 1 shows that there is no agreement among authors that have researched *muzakki'* preferences in Indonesia in terms of determinants of muzakki' preferences in channeling their zakat. Each study has examined different sets of determinants. This implies that there has been no communication established among researchers working on the same topic. Table 1 indicates that papers published in academic journals on the topic of muzakki' preferences in Indonesia can be classified into: papers published in journals belong to Islamic Higher Education Institutions such as IAIN and UIN and journal belongs to general universities. Moreover, the papers published also can be classified based on the authors' background (i.e. Islamic Higher Education Institutions academics and general universities academics). Given the multidisciplinary nature of research on zakat, bridging the different streams of literature is important in order to obtain a holistic view regarding of determinants of muzakki' preferences in Indonesia.

CONCEPTUAL FRAMEWORK ANALYSIS

This section focuses on discussing the conceptual framework of a *muzakki'*s preferences developed in Putriana (2018). The framework is presented in Figure 1 below. The argument built in Putriana (2018) is that *muzakki'*s preferences whether to pay *zakat* directly to recipients or to pay *zakat* through *zakat* institutions is influenced by factors that have included *zakat* awareness, trust, tradition and income level. *muzakki'* preferences then will influence the performance of *zakat* institutions. Each factor involved in the framework will be discussed further in more detail below.
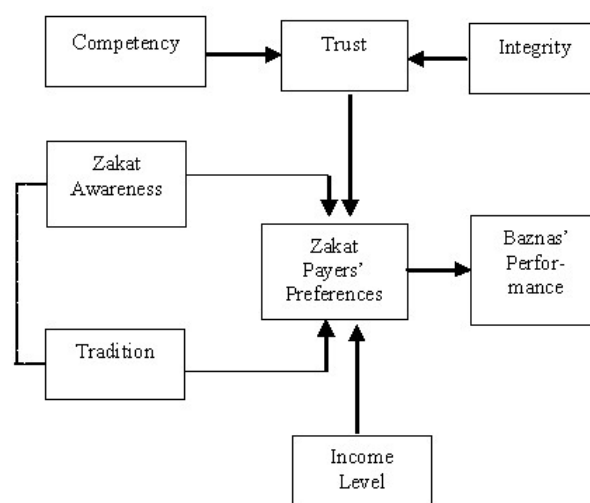
Figure 1. Factors Influencing *Muzakki'* Preference (Putriana, 2018:244)

***Zakat* Awareness**

Zakat awareness in Figure 1 is defined as two things: 'having knowledge on *zakat*' and 'being aware of the existence of *zakat* institutions in one's locality and the significance of paying *zakat* through the authorized institutions'. Cambridge Dictionary defines 'awareness' as "knowledge that something exists, or understanding of a situation or subject at the present time based on information or experience" or "knowledge and understanding of a particular activity, subject, etc." Looking at how the word of 'awareness' is defined in the Cambridge Dictionary, Putriana

(2018) has provided an appropriate conceptualization of zakat awareness. The conceptualization of *zakat* awareness in Putriana (2018) embraces the meaning of 'understanding of *zakat*' in Amri and Marwiyati (2019) and '*zakat* knowledge' in Deasy and Rahmawati (2019). Putriana's (2018) conceptualization of zakat awareness also contains the same meaning as the terms 'zakat literacy' introduced by the Strategic Study Center of the Indonesia National *zakat* Board.

Trust

Putriana (2018) does not define 'trust' in her study but mentioned two factors that result in 'trust' to zakat institutions. The two factors are called 'integrity' and 'competency' of personnel managing zakat institutions. Integrity refers to the level of honesty of personnel managing *zakat* institutions and 'competency' means how capable personnel of *zakat* institutions to deliver programs that bring a maximum benefits for *zakat* recipients. The essence of trust in Putriana (2018) is consistent with a previous study investigated the antecedents of 'trust' to zakat institutions in Nigeria (see Mustafa *et. al.,* 2013). The finding of their study suggested that muzakki' trust on an institution is determined by three major factors: board of capital, information disclosures and stakeholders management. That study argues that trust will emerge when a zakat institution is managed by reputable personnel from different function and education backgrounds. Thus, the institution

is perceived to have the capacity and willingness to distribute zakat in line with the dictates of sharia. Information disclosure refers to the disclose of information about institutions' activities in an annual report or accounts that are certified by a reputable audit firm. This will be considered as a signal of transparency by muzakki and therefore they can trust the institution. The influence of 'trust' on muzakki' preferences has been examined in two other studies (see Amri and Marwiyati, 2019 and Satrio and Siswantoro, 2016). The concept of 'trust' in Satrio and Siswantoro (2016) covers core seven values: transparency, competency, honesty, integrity, accountability, sharing and appreciation. The core values adopted in Satrio and Siswantoro (2016), therefore is far more complete than Putriana (2018).

Income Level

Income level in Putriana (2018) refers to total income received by a Muslim in one year (regular and non-regular incomes). The influence of 'income' on *muzakki*'s preference in paying *zakat* has been examined in four other studies (see Deasy and Rahmawati, 2019, Mahanani *et. al.,* (2019), Ekawaty (2017) and Satrio and Siswantoro (2016). Ekawaty (2017) finds that the higher the income, the more likely a *muzakki* to pay his or her *zakat* through digital method. As mentioned earlier, the study of Amri and Marwiyati (2019) has classified income into two categories: income less than 5 million rupiah per month and more

than 5 million rupiah per month. Next studies perhaps can examine more categories of income.

Tradition

Tradition means "a belief, principle, or way of acting that people in a particular society or group have continued to follow for a long time, or all of these beliefs, etc. In a particular society or group "or" A way of behaving or a belief". Thus, 'traditions' in Putriana (2018) refer to various ways of paying *zakat* practiced by Muslims that have been taken for granted by Muslims but the practices actually tend to be inconsistent with sharia. The influence of 'tradition' has not been assessed in any other studies on *muzakki* preference. A recent study (see Amri and Marwiyati, 2019) has included the influence of 'environment'. Amri and Marwiyati (2019) mentioned that a *muzakki* preference in channeling his or her *zakat* is influenced by the environment surrounding him or her. More clearly, when family and friends of a *muzakki* tend to pay *zakat* to institutions, he or she may be likely to do so. In other words, *muzakki* tend to follow what other people in his or her environment have done. This has a similarity with the concept of tradition. However, concept of traditions in Putriana (2018) tend to have a negative meaning (i.e. ways of paying *zakat* that are not consistent with sharia) whereas the influence of 'environment' in Amri and Marwiyati (2019) refers to a positive meaning

where someone will prefer paying *zakat* through institutions when family and friends also doing it.
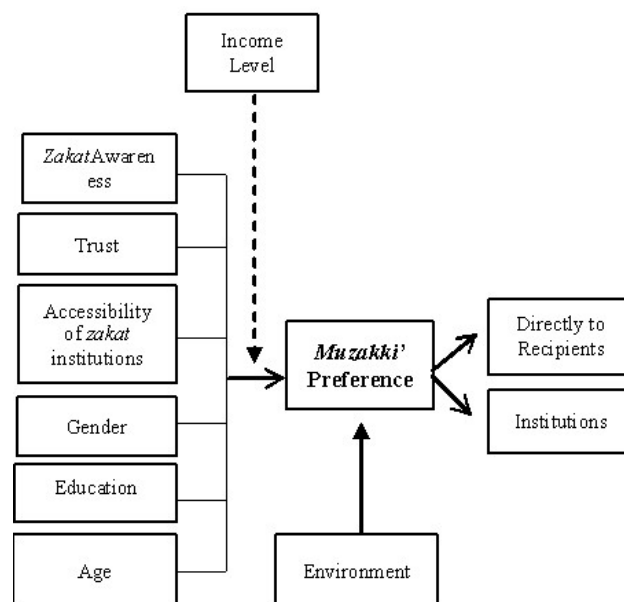
Figure 2. The Revised Conceptual Framework of *Muzakki*' Preferences

The description in Section 2 shows that there are other factors that have been identified in other studies that determined muzakki' preferences but have not included in Putriana's (2018) framework such as accessibility of *zakat* institutions (Amri and Marwiyati, 2019) and Dama *et. al.,* (2017). This factor refers to how easy to reach *zakat* institutions. When the location is far from where a *muzakki* lives, it is likely that *muzakki* will prefer to pay his or her *zakat* directly to recipients. However, when the institutions are close to the *muzakki*'s place, *muzakki* may be wiling to channel his or her *zakat* to the institutions. Next, as mentioned earlier, the study of Mahanani et. al., (2019) offers an interesting insight where the

study finds the influence of gender and age to the preference of *muzakki* in paying *zakat*. The younger *muzakki* is likely to choose institutional channel as they may have a better exposure to the existence of *zakat* institutions. We do not include 'religiosity' as religious is a determinant of zakat compliance (or a major reason for why someone taking part in zakat or not (Doctoralina, 2016).

As shown in the revised framework, muzakki have two options either to pay zakat directly to recipients or channel it through authorized zakat institutions. Muzakki' preference is determined by factors such as zakat awareness, trust, accessibility of zakat institutions, gender, education, age environment. The influence of other factor except environment will be moderated by income level. It means that even if someone is aware of the presence of zakat institutions in their locality and the value of channeling zakat through institution but he or she may still ends up of paying zakat directly to recipients if he or she is in middle income category. The reason is because resources allocated to help family members and close relatives usually limited to zakat itself. Similarly, even if someone has an easy access to zakat institutions in her or his locality, but he or she may still prefer individual channel (i.e to give his or her zakat directly to recipients) with the justification that he or she lives in different place than the close relatives who are in needs for financial help. Meanwhile,

there is no guarantee that the relatives living in different places will get access to zakat institutions in their locality. Among the empirical research that have been undertaken by the previous studies, none of them that have made 'income level' as moderating variable for others.

CONCLUSION

Research on the topic of *muzakki*' preferences in Indonesia, in terms of ways of discharging their *zakat* obligations have been undertaken by a number of researchers coming from different backgrounds and publishing their work in different streams of journals (i.e. belongs to Islamic Higher Education Institutions and general universities). There has been lacked of communication among those researchers, reflected in various sets of determinants of muzakki' preferences that have been examined and the fact that researchers tended to not cite the work of researchers working on the same topic but coming from different background or published work in different streams of literature. The current study has contributed to the bridging of the gap in the existing literature to arrive at a more comprehensive conceptual framework to study determinants of muzakki' preferences in Indonesia. The framework can be used by further studies and tested empirically in order to better understand the preference and behaviour or muzakki in Indonesia. In terms of methodology used, the papers published

can be classified as qualitative and quantitative studies. The future studies can integrate both research approaches to obtain a better and more comprehensive understanding of *muzakki*'s preferences in Indonesia. This understanding is very important, given the fact that Indonesia is the largest-Muslim majority country in the world which means that there is an enormous *zakat* potential to be explored and utilized for the maximum benefit of Indonesian people. By doing so, it is expected that Indonesia can solve poverty problem that is still prevalent in the country.

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