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Measuring Zakat Literacy Index : The First Step of Poverty Reduction Efforts

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Abstract

No poverty is one of the Sustainable Development Goals (SDGs) agenda to be achieved by 2030. One of instruments that can be used to solve the poverty in Muslims Communities is zakat. Zakah is an Islamic social and financial tool to help the zakah recipients. This research aims to measure literacy of a Muslim society concerning zakat. The zakat literacy was measured using a technique developed by the Indonesian National Zakat Board in 2019. By applying convenience sampling technique, 115 respondents participated in the survey. Respondents originated from Padang filled up the questionnaires by using social media (Whatsapp groups). Data were analysed using statistical analysis tools. The Zakat Literacy Index (ZLI) was categorized as 'medium' level. Concerning the timing of paying zakat, Muslims in Padang preferred to pay zakat during the holy month of Ramadhan. Giving the zakat directly to the individual recipients was preferred than channeling it through formal zakat institutions. When distributing zakat through zakat institutions, accessibility was the most important consideration. The main source of knowledge about zakat was lectures delivered by the Islamic scholars. The finding of this study contributed to the first attempts of building of baseline data of Zakat Literacy Index in Indonesia at the city level. The information revealed from this study can be used by local zakat institutions to plan strategies on how to increase the awareness of public on zakat which at the same time zakat payment will increase. The result of this study also provides baseline for future study.

Keywords: Zakat Awareness, Zakat Knowledge, Padang, West Sumatra, Baznaz

INTRODUCTION

Poverty still remains as a global problem whereas 2030 is – the timeline to achieve the SDGs targets, is not far away. One of those targets is to end poverty in all its forms (SDGs, 2015). Various efforts have been undertaken in order to eradicate the poverty, included in Indonesia. As the Muslim largest-majority country, Indonesia attempts to utilizing zakat to overcome this poverty problem by strengthening the role of zakat institutions. The law on zakat management has been issued since 2011 (i.e. Law Number 23 of 2011). However, the performance of zakat institutions in collecting zakat funds is still far from satisfactory. The latest data showed that zakat potency in Indonesia was 350 trillion rupiah (Antara, 2023) while zakat collected by zakat institutions in 2022 was only 22,43 trillion rupiah (DataIndonesia.Id, 2023) (6.4%). More specific for West Sumatera Province, the zakat potency can reach 3.2 trillion rupiah and the collection was around 675 billion rupiah (2%) (Pemerintah Provinsi Sumatera Barat, 2022). For Padang, collection of zakat was 12 billion rupiah from the potency of 120 billion rupiah (Antara, 2017) (10%).

The obligation to pay zakat for Muslims was revealed in the second year of Hijri calendar.

The instruction to pay zakat can be found in several verses in the holy Quran such as in Quran 2: 110; 2: 279; 9: 103. Zakat is a big concept in Islam and therefore, it becomes the third pillar of Islam and is always mentioned after shalah in the holy Quran. Throughout the Muslim civilization, the history has recorded the success story of zakat in eradicating poverty. During the time of Umar bin Abdul Aziz caliph for instance, it was not found anyone that was eligible to receive zakat. Currently, recent studies have connected zakat and SDGs (Dirie et.al, 2023, Shahid et.al, 2023). Specific to Indonesian context, a recent study has discussed how zakat can solve the poverty problem in Indonesia (Herianingrum et.al., 2023). Some studies also have specifically examined the reasons for why the role of zakat has not optimized yet to solve poverty. One reason highlighted in the literature is that the low performance of zakat institutions in collecting and designing effective programs.

The low performance of zakat institutions in collecting zakat compared to the potency in the context of Indonesia has been highlighted by stakeholders (Antara, 2023). The problem has been connected to among others is the zakat literacy. Unfortunately, there has been no regular measure of literacy index undertaken by Muslims countries of by countries with Muslims populations in it. Indonesia as the largest-majority Muslim countries in the word just started to measure this in 2019. The measurement was done at province level. Measurement at the lower level such as at local government level is needed so that zakat institutions operated at local level can have baseline data to start with any effort in increasing collection of zakat funds. The journey will be easier if we have a map. Similarly, zakat institutions at local level can take more informed decision when data about zakat literacy index at the local level, where their institutions operate available.

LITERATURE REVIEW

Zakah payment is an annual obligation to collect the productive wealth of individuals and enterprises, with a fixed rate of 2.5 percent of the wealth that meets the conditions of Zakah (e.g., Muslims who have financial capabilities to reach the minimum “Nisab” threshold, to possess fully the property and to complete the “Haul” of a lunar year of ownership). Zakah's potential to achieve its objectives is undeniable. Zakah is one of the five pillars of Islam and is one of the five pillars of Islam, with an effective socio-economic effect on the well-being of all. This can be seen when a well-off individual gives part of his productive wealth in the form of Zakah to the marginalized and poor of society. This promotes harmonious social interaction among all groups of the community. The appropriate and equitable distribution of zakah will help the less privileged to engage in economic activities. At the national level, zakah is regarded as a fundamental element of the state's fiscal policy and operation. It occupies a central position as a natural financial tool, contributing to a balanced national economy by distributing wealth more equitablely and the income of surplus units (rich) and deficit units (poor) (Bin-Nashwan, et.al., 2020).

Ideally, zakat should be collected and distributed by the authorities (government) as was done at the time of the Prophet and then continued by the khulafaurrasyidin and subsequent caliphs (Putriana, 2018). At the time, the Prophet Muhammad SAW formed the Baitul Mall intending to collect social and other funds, either in the form of zakat, infaq, sadaqah, and so on. In Baitul Maal, several people manage and directly distribute to those in need, which has been determined by the Shari'a (Kementrian Agama, 2013).

Zakat literacy is defined by the National Zakat Institutions of Indonesia as a knowledge of zakat payments from that individual after reading, calculating, and obtaining zakat-related information. (Puskas BAZNAS, 2019). Measurement of zakat literacy (i.e. ILZ) developed by the Indonesian National Zakat Board is formed by two dimensions: basic knowledge on zakat and advanced knowledge on zakat. Basic knowledge is broken down into 24 indicators while advanced knowledge is divided into 14 indicators. Basic knowledge refers to how individuals comprehend zakat (i.e. knowledge on fiqh of zakat). Advanced knowledge refers to knowledge on the role of zakat institutions.

Table1. Components of the Zakat Literacy Index

Dimension	Variable	Indicators
Basic knowledge about zakat	Knowledge of zakat in general	1. Definition of zakat 2. Zakat in the pillars of Islam 3. The legal difference between zakat, infaq, sadaqah, and waqf 4. The difference between zakat and donations in general 5. Types of Zakat 6. Definition of muzakki 7. Definition of mustahik 8. Definition of amil
	Knowledge about the obligation to pay zakat	9. Law of paying zakat 10. Sins of not paying zakat 11. Obligatory conditions for zakat mal 12. Obligatory conditions for zakat fitrah
	Knowledge of the eight asnaf	13. Knowledge of the eight asnaf 14. Amil duty 15. Management of zakat at the time of the Prophet Muhammad 16. Transparency and accountability of amil in managing zakat
	Knowledge of zakat calculation	17. Knowledge of the level of zakat mal 18. Knowledge of zakat fitrah levels 19. Limitation of the nishab of zakat maal if it is analogous to gold 20. Limitation of the nishab of zakat maal if it is analogous to agricultural products
	Knowledge of the object of zakat	21. Zakat obligatory assets 22. Professional zakat fiqh 23. The concept of zakat maal and professional zakat 24. Calculation of professional zakat
Advanced knowledge about zakat	Knowledge of zakat institutions	1.Types of zakat institutions in Indonesia 2. Knowledge of zakat through institutions
	Knowledge about zakat regulations	3.The legal basis of zakat in Indonesia 4. Compulsory Zakat Number 5. Knowledge of zakat as a tax deduction
	Knowledge of the impact of zakat	6. Knowledge of the impact of zakat in increasing productivity 7. The impact of zakat in reducing social inequality 8. Impact of zakat-based empowerment program 9. The impact of zakat in reducing the crime rate 10. The impact of zakat on the country's economic stability
	Knowledge about zakat distribution programs	11. Knowledge of the benefits of distributing zakat through institutions 12. Knowledge of zakat fund utilization programs in OPZ
	Knowledge about digital payment of zakat	13. Knowledge of digital zakat payments 14. Knowledge of digital zakat payment channels

Each indicator will be given the same weighted value under the Simple Weighted Index methodology.

$$total\ ILZ = Basic\ ILZ\ X\ Wb\ x\ Advance\ ILZ\ X\ Wa$$

$$\text{ILZ} = \bar{X} \sum_{i=1}^{N} \quad (score_{ibsc}\ X\ \ Smp\ bsc\ W_1\ X\ 100))\ X\ \ \ W_{VI}bsc + \sum_{i=1}^{N} \quad (Score_{iadv}\ X\ Smp\ adv\ W_I\ X\ 100))\ X\ w_{vi}Adv\ \ldots..(1)$$

Description:

ILZ : Total Zakat Literacy Index
$score_{ibsc}$: The score obtained on indicator i in the basic dimensions
$Smp\ bsc\ W_1$: The weighting value of indicator i on the basic knowledge dimension of the Zakat Literacy Indeks

$Score_{iadv}$: The score obtained on indicator i in the advanced knowledge dimension
$Smp\ adv\ W_I$: The weighting value of indicator i in the advanced knowledge dimension of the Zakat Literacy Index
$W_{VI}bsc$: The weighted value of variable i in the basic knowledge dimension
$w_{vi}Adv$: The weighting value of variable i in the advanced knowledge dimension

Value range of the index is between 0-100 whereby: 0- <60 is categorized as 'low' literacy, 60 - <80 is classified as medium literacy and >80 is categorized as high literacy.

RESEARCHE METHOD

This study uses a survey method using self-completion questionnaires. We used the same questionnaire developed by the Indonesian National Zakat Board in their first survey in 2019. The questionnaires were distributed through Whatsapp groups, started from 13 February – 28 February of 2022. 115 Respondents returned the questionnaires and 15 of were excluded from the analysis. Thus, there were 100 useable questionnaires in total. The data were analysed using statistical tools to calculate the ILZ.

Table 2 Indicator Weighting System:

Dimension	Variable	Number Of Indicators (N)	Indicator Weighting (1/N)
Basic knowledge about zakat	1.Knowledge of zakat in general	8	0.125
	2.Knowledge about the obligation to pay zakat	4	0.25
	3.Knowledge of the eight asnaf	4	0.25
	4.Knowledge of zakat calculation	4	0.25
	5.Knowledge of the object of zakat	4	0.25
Advanced knowledge about zaka	1.Knowledge of zakat institutions	2	0.5
	2.Knowledge about zakat regulations	3	0.333
	3.Knowledge of the impact of zakat	5	0.2
	4.Knowledge about zakat distribution programs	2	0.5
	5.Knowledge about digital payment of zakat	2	0.5

Source: Baznas (2019)

Tabel 2 shows that basic knowledge about zakat consist of 5 variable and every indicator consist of 8 to 4 question in questionnaire, and for advances knowledge about zakat also consist of 5 dimensions as well and the questions vary from 2 to 5 indicators. We value each indicator as the same weighted by devided the indicator with the total index. It is also shows the results of index calculation for each sub-dimension both in basic knowledge and advanced knowledge. After calculated the weighted result then we tabulated the result from the respondent and multiply with the weighted result. The summary is shown in table 3 below by summaries the average amount indicator, zakat literacy index at the variable level and total of ZLI in every dimension.

Four additional questions were added to original questionnaire designed by the Indonesian National Zakat Board:

1. Timing of Zakat Payment.
2. Zakat Distribution Challens
3. Factors influencing respondents' decision in choosing a specific channel to pay zakat
4. Source of information about zakat

The weighting value of indicator i on the basic knowledge dimension of the Zakat Literacy Indeks: The score obtained on indicator i in the advanced knowledge dimension: The weighting value of indicator i in the advanced knowledge dimension of the Zakat Literacy Index: The weighted value of variable i in the basic knowledge dimension: The weighting value of variable i in the advanced knowledge dimension.

RESULTS AND DISCUSSION

From 100 respondents, 86% were female and 14% were male. In terms of age, 85% of our respondents were in the group of 17-45 years old and only 15% of respondents that were above 45 years old. In terms of occupations, 25% of respondents were civil servants, 15% of private employees, 10% were entrepreneurs, 19% were students and 31% others. Based on income, respondents were classified into three categories: income less than 1,7 million rupiah per months was 43% (majority of respondents), income between 1,7 – 5.24 millions rupiah per month were 37% and finally, income above 5,24 millions rupiah was 20%.

Table 3 Calculationof Basic Dimensions and Advanced Dimensions of ILZ

Dimension	Variable	Average Amount of indicator (Z)	Zakat Literacy Index at the Variable Level (Z*variable weight)	Total ILZ of each dimension
Basic dimension	Knowledge of zakat in general	88.38	20.33	75.16
	Knowledge about the obligation to pay zakat	80.25	16.05	
	Knowledge of the eight asnaf	85.00	15.30	
	Knowledge of zakat calculation	61.00	14.03	
	Knowledge of the object of zakat	52.50	9.45	
Advance dimension	Knowledge of zakat institutions	67.50	15.53	64.02
	Knowledge about zakat regulations	22.00	4.62	
	Knowledge of the impact of zakat	67.80	16.27	
	Knowledge about zakat distribution programs	94.50	15.12	
	Knowledge about digital payment of zakat	78.00	12.48	

Source: data processed

Table 3 shows that calculation on the ZLI for basic knowledge on zakat was 75.15 (medium) while for advanced knowledge was 64.02 (low). The overall ZLI of Padang city was categorized as medium (71.25) as presented in Table 4 below.

Table 4 Score per Dimension and The Score of ZLI in Padang

Dimension	Total ILZ of each dimension	Dimensional Contribution Weight	ILZ at the Dimensional Level	Total ILZ
Basic dimension	75.16	0.65	48.85	71.25
Advanced Dimension	64.02	0.35	22.40	

Source: Data Processed

The medium level of literacy on zakat explains the low level of zakat collection by zakat institutions, along with the influence of other factors that are not captured by this study. The influence of literacy on performance of the relevant institution is not only found in the context of zakat but also in the context of waqf as indicated in the study of Adisti (2021).

Analysis on the additional questions show that majority of respondents paid their zakat once a year and it was during the holy month of Ramadhan. 25% of respondents paid their zakat every month. We can expect that this group must be civil servant or other employees that receive salary on a monthly basis. 23% of respondents paid their zakat when it reaches the haul. This likely the preference of entrepreneurs. Finally, 14% of them said that they paid it anytime.

In terms of where respondents have paid their zakat, majority of them paid zakat directly to individual recipients. This finding supports the previous study (Beik et.al. 2023; Putriana; 2018) that argues that the preference of millenial to pay zakat more directly to the individual may be caused by the limited literacy. 33% of respondents paid zakat through zakat institutions and 21% of them paid it to Mosques and Mushallas.

In terms of factors influencing respondents in choosing places to pay zakat were credibility, transparency and accountability of zakat institutions (35%), accessibility – easy to reach (47%), recommendations from relations (11%) and service factors (4%). In terms of source of information about zakat, majority of respondents obtained from lectures from ustadzs, followed by information from families and relatives (16%), office/campus (12%), social media (11%), and finally electronic media (televisions, radio) 10%.

CONCLUSIONS

The current study has measured zakat literacy index of the most important city in West Sumatera Province. The measurement showed that the zakat literacy of Muslims in Padang was categorized as 'medium' level for overall index. In terms of basic knowledge, Muslims in Padang have 'medium' level of knowledge about zakat. Meanwhile, the knowledge concerning of the role of zakat Institutions was categorized as 'low'. Majority of Muslims in Padang prefer to pay their zakat during the holy month of Ramadhan and majority of them have paid zakat directly to invidiual recipients. For those who paid their zakat through zakat institutions, accessibility was considered as the most important factors while the quality of service of the institutions was not important for them. Lectures given by Muslims scholars was the most important source of information about for Muslims in Padang.

This study has expanded the attempt of mapping zakat literacy to the city level (i.e. local government level). The availability of data related to zakat interacy index at local level will be more beneficial to define more effective strategies in designing programs that is more suitable with local people. Adopting the logic of decentralization, the lower data on literacy index available, the more zakat institutions operating at the local level can contribute to the effort of poverty reduction. The more price map we use in our journey, the more we can walk on track compared to using less detail map. The local zakat institutions can tailore their programs and efforts to increase zakat literacy based on this result.

This study will be helpful for policymakers, especially zakat authorities, on how to enhance their administration.

RECOMENDATIONS

Based on the results and discussion of the research that has been done, namely about "there searcher stook the following suggestions for zakat management institutions or zakat stakeholders in Padang to increase socialization, education and campaigns about the importance of paying zakat in official zakat institutions. In addition, knowledge about zakat regulation, zakat objects, zakat institutions, zakat calculations, and knowledge of digital zakat payments also needs to be improved in the city of Padang considering that these variables fall into the low category. With this research, it is hoped that later the community can learn more about zakat and it is hoped that it can increase the collection and distribution of zakat itself.

For further researchers, it is hoped that they will be able to sharpen the analysis of zakat literacy and be able to expand survey areas such as at the sub-districts levels to accurately determine the level of zakat knowledge of the people in the region. In addition, further researchers are also expected to expand the background of respondents, so that the results of the next Zakat Literacy Index measurement, especially in Padang can represent the diversity of the entire population in the region.

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