Empirical Analysis: The Society's Knowledge of Zakat Payment in Islamic Banking

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Abstract

The purpose of this study is to analyze the behavior of Muslim communities in paying zakat, primarily through Islamic institutions in Indonesia, in order to develop strategies for increasing the number of zakat recipients nationally in order to enhance the welfare of the larger community. – In the absence of government regulations regarding the obligation of Muslim communities to pay zakat, the behavior of zakat payers can be influenced in two ways: by enhancing the understanding of zakat and by bolstering the credibility of zakat management institutions, particularly Islamic banks. Providing complete information to the public regarding the existence of zakat management institutions and what they have done and will do is essential. Never before has research been conducted on how individuals pay zakat. This study examines the behavior of selecting a location to pay zakat as well as obedience to God and the government, awareness without coercion, and awareness without coercion.

Keywords: Zakat, Muslim, Islamic Banks

A.   Introduction

The word zakat comes from the Arabic language, which is based on the word *zaaka – yuzaaki – zakat* which means blessing, grow, clean, sound, and increase. That why basicly the purpose in paying zakat is to clean our self from greedy and anti-socio feeling. In ethomology (language) side *al-zakat* means *al-numuwwu wa al-ziyaadah* or growing and increasing but usually called by *at-thaharah* or cleaning in term of wealth and self (1997).

Zakat is one of the pillars in Islam which is obliged to the Muslims who adequate wealth, which is the minimum amount of assets that must be Issued Zakat, if less than that wealth has not been charged Zakat when the haul is a mandatory time to issue zakat that satisfies its (owned enough within one year). According to Yusuf Qaradhawi, Zakat is not personal affairs, but the duties of Islamic governance.

Based on the data from BAZNAS (National Zakat Institution) zakat potential in Indonesia as a whole there are 16 billion USD, but from that potential data, the government collects about 540 million USD. It means that approximately 4% of total zakat potential only. What is wrong with all this? The average national zakat distribution is 66 percent of the total zakat collected. In 2016, zakat was successfully distributed to the society about 195 million USD, while in 2017 is about 324 million USD. From the total distribution of zakat in 2017, the amount of 78% was distributed into eight national mustahik.

The Zakat Receivable Potential in Indonesia on 2017

Source: BAZNAZ Zakat Outlook 2019

Although Zakat is a potential funding source, it will not be able to accrue until it is implemented. Obligatory Zakat will only have unfavorable effects among others when it is paid in accordance with its terms.

Because Indonesia has a majority Muslim population and a high rate of zakat payments, there is a relationship between zakat and the state of the Indonesian economy. However, if the government does not properly maintain zakat as the policy maker and if Muslim society does not comprehend zakat, zakat's potential to be a tool in reducing poverty in Indonesia will remain a dream. (Daud, 2012).

Hypothesis Objectives

A hypothesis is a tentative statement about the relationship between two or more variables that is a specific, testable prediction about what we expect to happen in this research. The hypotheses of this research are:

H_1 = The increase of financial literacy of Muslim society will increase the awareness of society in paying zakat in Indonesia

H_2 = The Increase in society awareness of paying Zakat (Mustahik) will decrease the poverty level in Indonesia

B. Research Objectivities

This research aims to decrease the poverty level in Indonesia by increasing the awareness level of paying zakat (Mustahik). Based on the research aim, the research objectivities of this research are;

1. To explore the factors that caused a low level of awareness in paying zakat
2. To identify factors that effect to the increasing the awareness level of paying zakat
3. To find a creative way or method that will decrease the poverty level in Indonesia
4. To propose a recommendation to BAZNAS in recovering the Zakat (Mustahik) by method which is used in this study

Talking about zakat, it is closely related to financial literacy. This study only focuses on how to increase the society awareness of paying zakat (muzakki). The scope of this study is limited by taking a case study in remote areas, which is in the Sambi Rampas District, East Manggarai Regency, East Nusa Tenggara. Sambi Rampas District is the most Muslim population in East Nusa Tenggara, in which there are many muallaf there that should be maintained.

Based on the location, Sambi Rampas District consists of two side. In the east, the topography is flat and rather oblique that, consist of rice field, garden (onion and coffee), and settlements on

the hill. Whereas the west side closes to the seashore, that consists of enormous sea natural resources.

The daily livelihoods of Sambi Rampas District society are fishermen, growing a garden, farming, farm workers, livestock, buildings labor, trade and others. Considering the circumstances area of Sambi Rampas District closes to the sea, the people are generally highly dependent on the sea.

The distance to the district capitals as far as less 91 km, to the traveled time about 3-4 hours. The flow of electricity is not completely come into Sambi Rampas District, but this area is one of the oldest regions in East Manggarai Regency. In compliance with the times, the villagers used a cape daughter traction generator using solar power to run electricity. On the other hand, there is no non-bank financial institutions yet in the Sambi Rampas District, in a particular formal financial institution.

C. Literature Review

In different parts of the world, "remote" is defined in quite different ways. A remote area is one that is either far from densely populated areas or lacks transportation infrastructure that is common in denserly populated areas. (Denkenberger, Way, & Pearce, 2015). Governments in every nation frequently define and categorize remote areas so that special efforts can be made to deliver services to these hard-to-reach locations.

The study "The Economic Importance of Financial Literacy: Theory and Evidence" by Annamaria Lusardi and Olivia S. Mitchell (2013) shows that: first, theoretical models of saving and financial decision-making can be further enriched to incorporate the fact that financial knowledge is a form of human capital. Second, attempts to improve financial education measurement, such as compiling data on instructors, training programs, and subject matter addressed, are likely to be successful. Third, results that have not yet been researched but are likely to be of interest include, for example, borrowing for school loans, health investment, reverse mortgage trends, and the timing of claiming social security benefits, all of which have significant economic repercussions.

The study "Improving Financial Literacy of the Poor and Vulnerable in Indonesia: An Empirical Analysis" by Lopus JS, Amidjono DS, and Grimes PW (2019) shows a significant impact when society receives intensive financial literacy training for about two months.

Since the time of Prophet Muhammad SAW, zakat, one of the Islamic financial tools, has considerably impacted the economy of Islamic states. Zakat is a tool used in Islamic economics and finance to facilitate worship and promote social welfare. The potential for zakat includes a number of elements for programs to reduce poverty through community empowerment. Through the zakat multiplier effect, zakat can contribute to the government's agenda for community empowerment. The multiplier effect means that when zakat is given in the form of consumption, it will increase the purchasing power of mustahik, which will positively impact producers to increase production capacity. The impact of an increase in the number of products for the company or manufacturer is that they will absorb more workers, which will subsequently help indirectly decrease the unemployment rate. Increased production at a business translates into higher taxes paid to the state, which boosts state revenue and contributes to economic growth. (Al Arif, 2010).
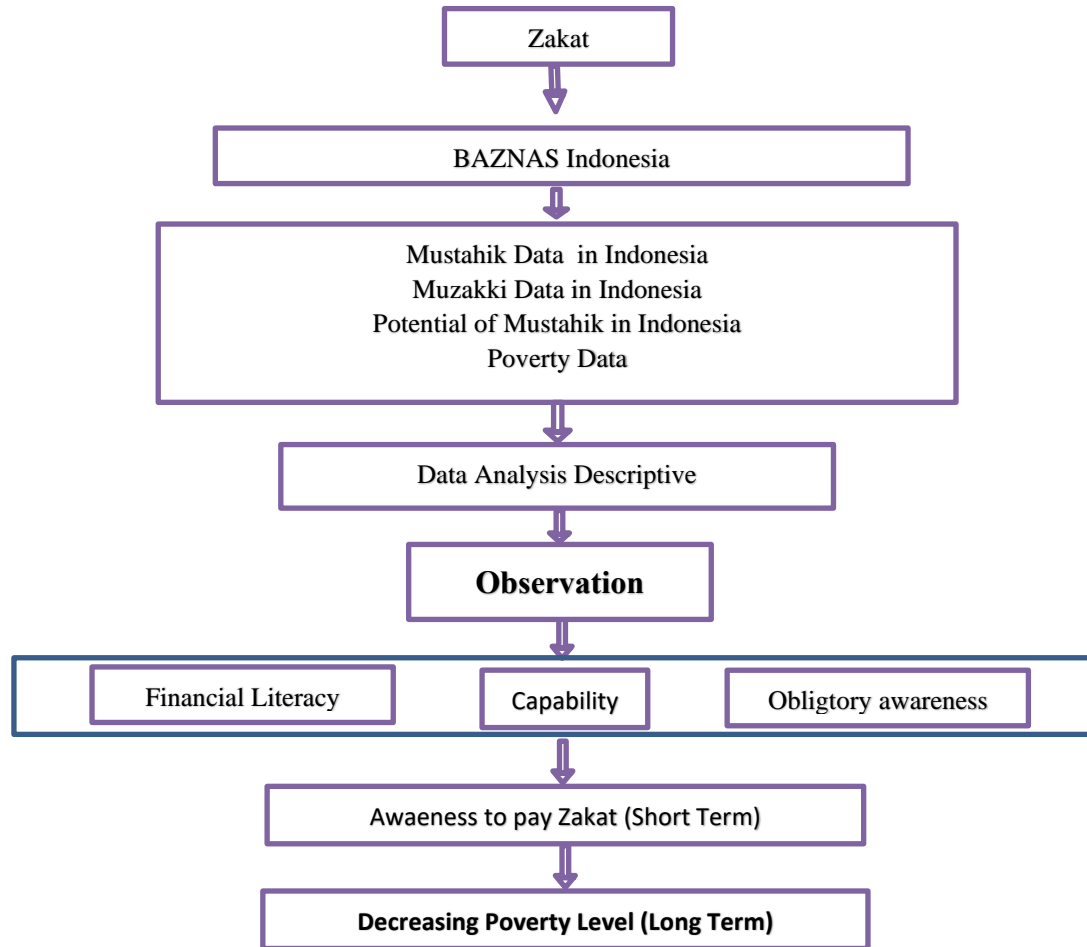
D. Research Methodology

The data used in this study is secondary data taken from BAZNAS financial report. On the one hand, the primary data used in this study were taken directly from the location to be examined. This study uses mixed methods, means that the research is mixed between quantitative and qualitative methods. There are three basic mixed method designs; convergent parallel mixed method, explanatory sequential mixed method, and exploratory sequential mixed method.

Convergent parallel mixed method is a method that is used in this study. Convergent parallel mixed method is a mixed method in which the researcher collects a qualitative and quantitative data, analyses it separately, and compares the result to determine: are there any findings that confirm each other (Creswell, 2016).

Descriptive analysis are used to describe the data or make a summary of the data in the first phase of data analysis (Sumanto, 2014). Descriptive statistics are not concluded directly, but only provides information to use data that has been processed before, usually it is displayed in the form of tables, graphs and diagrams.

This research also uses SWOT analysis. Usually, SWOT analysis used in the management and business research. SWOT itself is the abbreviation from Strength, Weakness, Opportunity, and Treat. Strength and weakness used for internal analysis, while opportunity and treat used for

external analysis. This research used SWOT analysis because it will be useful to get the conclusion and recommendation (FME, 2013).

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          │             Muzakki Data in Indonesia             │
          │          Potential of Mustahik in Indonesia       │
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          │      Decreasing Poverty Level (Long Term)         │
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Source: Developed by the researchers

E. Conclusion

It is possible to draw the conclusion, based on the findings of the study and the conversation that took place in the part before this one in relation to the behavior of the community in paying zakat, that in order to form zakat paying behavior (in the absence of government legislation relating to the requirement to pay zakat), two things are required: (1) increase public understanding of zakat law; and (2) strengthen the credibility of zakat management institutions (LAZ and BAZNAS), along with providing complete information to the community regarding the existence of zakat management agency, what it has done (activity report), and what it plans to do in the future. (work program). On the basis of these findings, it is necessary to do the following in order

to increase the target of collecting zakat funds from the community on a national level: a. Provide broader education to the public, particularly about the kinds of treasures that are paid as zakat, how zakat becomes as an instrument of community empowerment, how zakat can help economic growth, and the function of zakat receiving institutions (LAZ) and the national zakat board. b. Establish a national zakat (BAZNAS). b. Establish credibility by practicing transparency in order to dispel any skepticism that the community may have regarding the organization in charge of zakat management. c. Improve the community's access to information regarding the zakat management institution, including what has been done and what will be done in the future.

According to the explanation above, there are two expected outcomes from this study:

1. Short term: Increase the awareness of muzakki to pay zakat. Thus, it could remove the gap between potential zakat and received zakat in Indonesia.

2. Long term: Decrease the poverty level in Indonesia in which it has a relation to the first goal of SGD.

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