

# IRTI Working Paper Series

WP# 1433-07

## Economic Estimation and Determinations of Zakat Potential in Indonesia

Muhammad Firdaus, Irfan Syauqi Beik, Tonny Irawan, Bambang Juanda

Dhul Qa'dah22 1433H | October 09, 2012



ISLAMIC RESEARCH AND TRAINING INSTITUTE  
A MEMBER OF THE ISLAMIC DEVELOPMENT BANK GROUP



## **Abstract**

*The Government of Indonesia has granted zakat fund as one of financial sources for the country in addition to tax fund. The collection and distribution of zakat fund should be improved continuously. For indonesia case, the number of research related to zakat potential is still limited. This study aims to estimate the potential of zakat in Indonesia and explore the relationship between demographic characteristics and zakat payment. The primary data were obtained through survey in two cities and two districts comprising 345 households, whereas the secondary data were obtained from many sources. The empirical analysis are done through descriptive and multivariate analysis. The results show that total of all zakat potential in Indonesia from various sources is approximately 217 trillion rupiah. This number is equal to 3.4% of Indonesia's 2010 GDP. The study shows that education, occupation and income are important factors which influence respondent's frequency and choice of place when paying zakat and alms.*

**Keywords:** *zakat development, income transfer, logistic regression*

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P.O. Box 9201, Jeddah 21413, Kingdom of Saudi Arabia



## 1. INTRODUCTION

### 1.1 Background

Al Quran and Al Hadith dictate that zakah is one of the pillars of Islam and people who fulfill the nisab are obliged to pay zakah. Its significance to the national and communal development is irrefutable, as it contributes to social security and harmony by helping close the gap between the have and the have not, and strengthen the economic independence of the Muslim society. The zakah fund is also an important financial source for the country in addition to tax fund. Generally speaking, the distribution of zakah fund could help generate and steer the country's economic activities through increase in individual's purchasing power.

One of the most important factors that must be considered in order to boost this zakah-based development is having valid data on zakah potential. Until now, the valid data are still not available. The presence of zakah potential data that can be explored by Indonesia is extremely needed. It is because availability of the data will affect zakah development planning in realizing actual collection of zakah as well as disbursement programmes.

If we observe current collection of the total zakah, alms and sadaqah fund, it is found that it increases from time to time (vide Table 1).

**Table 1. National Zakah, Alms, and Sadaqah Collection 2002-2008**

Year	Total Amount of Zakah (Billion Rupiah)	Annual Growth (%)
2002	68.39 (USD 7.20 m)	-
2003	85.28 (USD 8.98 m)	24.70
2004	150.09 (USD 15.80 m)	76.00
2005	295.52 (USD 31.11 m)	96.90
2006	373.17 (USD 39.28 m)	26.28
2007	740.00 (USD 77.89 m)	98.30
2008	920.00 (USD 96.84 m)	24.32

Source: The National Board of Zakah (2009)

However, due to limitation in the database management, the national zakah, alms and *sadaqah* collection data is still not covering all zakah

institutions<sup>1</sup>, especially during the period of 2002-2006. From the available data, it is evident that the growth of national zakah, alms and *sadaqah* collection has increased consistently. In the year 2005, for instance, zakah collection growth achieved 96.90 percent. It was due to the natural disaster particularly the Aceh tsunami, which has triggered Indonesian people to contribute and to assist the victims of the tsunami.

The highest growth was achieved in the year 2007. Its rate was reaching 98.30 percent. It was a remarkable achievement. However, its growth was reduced to 24.32 percent in the subsequent year. If zakah, alms and *sadaqah* collection of 2008 is compared with zakah, alms and *sadaqah* collection in 2002, there is a substantial improvement of 1,245 percent within 6 years.

The basic problem faced by all zakah stakeholders is related with huge gap between the potential of zakah fund and its actual collection. A research made by the Centre of Language and Culture of the Islamic State University of Jakarta (UIN Jakarta) in 2005 shows that the potential zakah fund that can be collected equals Rp 19.3 trillion<sup>2</sup> (Ridlo, 2007). If this is compared with 2008 data, it can be observed that the actual collection of zakah is still less than 5 percent of its potential.

However, research studying zakah potential in Indonesia is still limited. Perhaps, the research made UIN Jakarta is one of the most quoted researches in this regard. It is hard to find other continuous zakah potential research that can provide comprehensive figure from year to year. Therefore, having a formula of calculating zakah potential based on extensive research is highly important for the country. Unlike the research of UIN Jakarta, nevertheless, this study attempts to design and combine two approaches, namely macroeconomic approach and survey. Details of the methodology used will be elaborated later on in the methodology chapter.

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<sup>1</sup> Chairman of BAZNAS Prof Didin Hafidhuddin in a paper under the title "*Urgensi Membangun LAZ yang Amanah dan Profesional*", which was presented during inauguration of Zakah Services Unit management at the Embassy of Indonesia in Malaysia on May 20, 2007 stated that one of the most important agenda of national zakah community is to enhance national database management, which includes database of zakah collection and the number of *muzakki* and *mustahik*. Few areas (province or district) and zakah institutions already have good database system. However, many other institutions and areas that still have no good database management.

<sup>2</sup> It equals USD 2.03 billion.

## 1.2 Objectives

The objectives of this study are to:

1. estimate the potential of zakah in Indonesia;
2. explore the relationship between demographic characteristics and zakah payment;
3. explore the significant factors those influence people's intention to pay zakah, and
4. formulate the recommendations in order to increase zakah revenue and distribution

## 1.3 Expected Output

The recommendations from this study will be used as scientific basis for planning and disbursement programmes by BAZNAS and Government, in order to optimize the revenue and distribution of Zakah in Indonesia.

## 2. LITERATURE REVIEW

### 2.1 Theoretical Reviews

#### 2.1.1 Basic Issues of Zakah

Zakah is one of the five pillars of Islam. It is basically the material as well as spiritual form of worship. This aims to purify ones wealth and positions by giving a certain amount of money to the poor and the needy from the net income exceeding *nisab*<sup>3</sup> after a complete year. The term is derived from the Arabic verbal root, which means to increase (*al-namaa*), to purify (*al-taharatu*) and to bless (*al-barakatu*). By paying it, one is aspiring to attain blessing, purification and the cultivation of good deeds (Hafidhuddin, 2002).

Al-Qardawi (1993) states that zakah obligation is mentioned in the holy Quran thirty times, in twenty-seven of which zakah is associated with prayers. Furthermore, the term zakah in the Quran appears in many verses as *sadaqah*<sup>4</sup>, *infak*<sup>5</sup>, and *haq*<sup>6</sup>. This obligation is also emphasized in large number of the

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<sup>3</sup> Nisab is the exemption limit, i.e. the minimum amount of money, wealth, and other zakahable items that must be owned by a muslim as the lowest limit for being categorized as muzakki or zakah payer.

<sup>4</sup> See al-Hilali and Khan (2003) for the verses: 9:58, 9:60, 9:74, and 9:103.

<sup>5</sup> Ibid. the verse 2:267.

Prophet's sayings (*hadits*). He says that zakah, apart from being an obligatory worship (*ibadah mahdlah*), also has socio-economic objectives (*al-ibaadah al-maalayah al-ijtima'iyah*). Therefore, it has a very important position in the development of the Muslim community.

The zakah recipients have been classified into categories (*ashnaf*). These groups are based on the Surah al-Taubah: 60. These zakah recipients comprise the poor (*fuqara*), the needy (*masakin*), zakah collectors (*amilin*), those newly converted to Islam (*muallaf*), ransoming of slaves (*riqab*), the debtors (*al-gharimin*), in the cause of Allah (*fi sabilillah*), and the wayfarers (*ibnu sabil*) (Aziz (1993).

### 2.1.2 Factors Influencing Zakah Payment

It has been emphasized that in Islam, the primary motivation of paying zakah should be the worship factor (*ta'abudi*). Muslim fulfils their duty in preserving common good by paying zakah, giving the needy and so forth simply because he or she is the servant of Allah S.W.T. In fact, the word zakah 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 zakah because it is one of the five pillars of Islam. Zakah 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 zakah (Muda, M., Marzuki, A., dan Shahrudin, A., 2006).

Reinstein (2006) also supported worship factor as one of the main motivations that contributes to the compliance of zakah, sadaqa (donation) and other prosocial behaviour (*ijtima'i*). They further claimed that the act of paying zakah could be an indicator of high level of *iman* (faith). This is because

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<sup>6</sup> Ibid, the verse 6:141. Haq has several meanings; one of which is a decision that is certain and clear. See *Majma Lughah al-Arabiyah*, page 189, 511, and 942.

individual compliance towards religious obligation to pay zakah 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 zakah. This is supported by Aidit (1998) and Qardawi (1998) who suggested that non-compliance behaviour towards obligation to pay zakah 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 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 will give more.

In addition to the worship factor (*ta'abudi*), the studies examining the individual participation in *ijtima'i* 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 zakah activities, it is assumed that individuals contribute to zakah because he or she gets some tangible benefits, rewards or self satisfaction from the activity.

## **2.2 Previous Studies**

Although Islam is one of the most common religions in the world, there have not been many studies about the potential of zakah and factors affecting it, let alone in Indonesia. Most studies take place in highly Muslim populated countries where zakah plays a crucial role in the country's financial system such as in Pakistan, Bangladesh, and Malaysia.

One of the researches conducted concerning the factors influencing zakah payment is done in Malaysia by Muhammad Muda, Ainulashikin Marzuki, and Amir Shaharuddin. The study which is entitled "Factors Influencing Individual Participation in Zakah Contribution: Exploratory Investigation", has the objective to investigate the factors affecting individual decisions in zakah 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 zakah. The 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 characterized 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 zakah 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 zakah 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.

Shirazi (2006) attempts to estimate the resource shortfall and potential zakah collection for poverty elimination in the low-income Muslim countries. He estimates the resource shortfall by utilizing the international poverty lines (under USD 1 and 2) headcount and poverty gap index estimated by the World Bank. Potential zakah collection has been estimated by utilizing Kahf's definitions of zakahable items with some modifications. The paper finds that some of the low-income Muslim countries can meet their resource gap under USD 1 international poverty line with potential zakah collection. However, other countries, mostly belonging to Africa, cannot meet their resource shortfall from their potential zakah collection.

In calculating the potential of zakah, Zarqa (2002) comes with estimation of the potential zakah proceeds in a contemporary Islamic economy at about 3.00 percent to 3.60 percent of the GDP. He expresses reservation on the possibility of using the extent of the coverage of zakah collection as a policy tool. He further argues that the disbursement, mix ratio, cash mix ratio, the equilibrium share of other claims, and the dates of collection and disbursement, all of which can be used as control tools of fiscal policy since there is nothing which prevents that in shariah. It is reported that Caliph Umar bin Al-Khattab once delayed the collection of zakah in the year of famine in Madinah.

### **3. METHODOLOGY**

#### **3.1 Conceptual Framework**

Zakah, as one of the five pillars of Islam, has obliged certain people to contribute part of their wealth to the needy. Zakah has also become an important financial source, especially in dense Muslim population countries. Even so, Indonesia, as one of the countries with high Muslim population, is still lagged behind in terms of zakah collection and distribution. Though zakah received by the country increases each year, there are still many wealthy people who do not participate in zakah contribution. On the other hand, the people

who do contribute also participate in various ways. While some trusts institutions to distribute their zakah, others distribute it themselves. Therefore not only the development and potential of zakah contribution, the factors affecting it should also be studied in order to strengthen the zakah system in Indonesia.

In this study, the type of data used will be primary data and secondary data. By analyzing the determinants of zakah contribution, the government and other zakah institutions will be able to implement the right policies to collect, distribute, and increase zakah contribution. From both primary and secondary data, the income level and income class in Indonesia can be precisely estimated. This estimation will be used to calculate the potential of zakah revenue.

### **3.2 Data Collection**

The primary data were obtained through survey in two cities (Palembang and Bogor) and two districts (Brebes and Bogor), including 345 households. The respondents were asked to fill in a questionnaire regarding their motivation in participating in zakah contribution. Whereas the secondary were obtained from SUSENAS (Survey Sosial Ekonomi Nasional) 2009, economic census 2006, Banking Statistics 2009 and 2010. From SUSENAS data, about 295,000 households data are processed.

The primary data is gathered from people obliged to pay zakah to know the percentage of actual zakah contributors and their underlying reasons. The primary data is also used to predict the amount of zakah received by institutions (Baznas and other institutions) and the amount of zakah contributed non-institutionally.

In gathering the primary data, the respondents will have to fill in a questionnaire. The main topics required to be in the questionnaire are such as:

1. Five factors motivating the respondents in paying zakah: religious (level of iman/faith), utilitarian, altruism, self-satisfaction, organization. The explanation of each factors are given below.
  - a. Factor: Level of Iman (faith)

This is mainly loaded with injunctions from Allah with regards to the obligation of paying zakah, reward for heaven for those who obediently follow the injunction and the punishment in hell thereafter if they do not contribute to zakah. Items related to Level of Iman factor are:

1. Heavenly reward
2. Believe in punishment in hell
3. It is obligatory

b. Factor: Utilitarian (Recognition)

This factor is made up of items related to individual self benefit from act of paying zakah. Benefit gained includes tangible return and social approval. These self centered motives comprise of:

1. To be seen as generous
2. Increase business opportunity
3. To get praised and social support

c. Factor: Altruism

Altruism is a factor related to how religious beliefs or moral values influence individual to participate in zakah. Altruism is the motivation with the ultimate goal of increasing the welfare of one or more individuals other than oneself.

Items related to altruism factor are:

1. Rights of poor and needy
2. To show gratitude
3. To get blessing from Allah
4. Increase level of piety
5. Cleanse one's wealth
6. To help poor and needy
7. Sense of guilt

d. Factor: Self satisfaction

They are individually satisfied from the act of giving zakah. They feel happy paying zakah, they are responsible society, generous and believe that they could also motivate others to participate in zakah contribution.

Items related to Self satisfaction factor are:

1. Zakah improves Muslim economic condition
  2. I am a socially responsible person
  3. I am happy to pay zakah
  4. I am generous
  5. I like to be an exemplary
- e. Factor: Organization
- Items related to organizational factor are:
1. Availability of zakah collection center
  2. Various services provided to facilitate zakah activity
  3. Availability of payment facility
  4. Convenient payment system
  5. Confidence in zakah collection center
  6. Salary deduction facility
  7. Services offered by zakah collection center
  8. Satisfactory service
  9. Information on collection and distribution is transparent
  10. Professionally managed
  11. Influenced by zakah advertisement
  12. On-line payment facility
2. Demographic information of the respondent which is assumed to influence individual zakah participation: gender, age, highest education qualification, employment sector (government, manufacturing industries, services, self-employed, others), monthly income. This information was deemed necessary for study in order to determine how demographic classifications affect the motivation to participate in zakah contribution.

### **3.3 Empirical Analysis**

To estimate the potential of zakah, some techniques will be carried out. The secondary data such SUSENAS and SAKERNAS will inform the income level and income class. By using the data, the potential zakah from urban and rural area; Java and out of Java Island may be calculated.

The empirical analysis of primary data in this study will be done through descriptive and inferential statistics. In the descriptive statistics method, summarized data, graphs, and tables will be used to:

1. predict the potential of zakah from some sources of secondary data, and
2. describe the people's perception toward zakah and charity.

In inferential statistics, the multivariate analysis such as logistic regression will be employed. Logistic regression or LOGIT is a part of regression analysis. In this model, the dependent variable (Y) is a (binary) dummy variables. The basic equation of the model is as follows:

$$\text{Logit}(p_i) = \log_e \left( \frac{p_i}{1 - p_i} \right)$$

where  $p_i$  is the probability of an event and  $\text{logit}(p_i)$  is the transformation of such probability.

Empirically, the model is formulated as follows:

$$Y_i = \beta_0 + \beta_1 * X$$

where  $\beta_0$  is constant and  $\beta_1$  is the estimated paramaters.

Y is the dummy variable where:

**Model 1:**

= 1 if respondent pays alms

= 0 if respondent pays alms

**Model 2:**

= 1 if respondent pays alms weekly

= 0 if respondent pays alms monthly

**Model 3:**

= 1 if respondent pays zakah monthly

= 0 if respondent pays zakah yearly

**Model 4:**

= 1 if respondent pays the zakah in formal institution (*unit pengelola zakat*)

= 0 if respondent pays the zakah in informal institution (mosque, direct to mustahiq)

X is respondent's perception and his demographic characteristics , where:

- $X_1$  = if respondent always prayers 5 times a day
- $X_2$  = if respondent always prayers in mosque 3 times a day
- $X_3$  = if respondent judges that zakah is an obligation for him
- $X_4$  = if respondent can calculate his/her zakah by him/herself
- $X_5$  = if respondent always reads religious books
- $X_6$  = if the respondent routinely attends religious gatherings
- $X_7$  = if the respondent believes in recompense of all his/her deeds
- $X_8$  = if the respondent believes that paying zakah will help in earning a livelihood
- $X_9$  = if the respondents community rejoices when he/she pays the zakah
- $X_{10}$  = if the respondent enjoys being labeled as a philanthropist after paying the zakah
- $X_{11}$  = if the respondent feels pity when he/she sees the poor and needy
- $X_{12}$  = if by paying zakah/alms the respondent feels he/she has tried to express gratitude to the Almighty
- $X_{13}$  = if the respondent feels that his/her wealth is cleansed after paying the zakah/alms
- $X_{14}$  = if the respondent feels happy to help the poor/need
- $X_{15}$  = if the respondent feels guilty if he/she doesn't pay the zakah/alms
- $X_{16}$  = if the respondent find pleasure in improving the poor or needy people's economic condition
- $X_{17}$  = if the respondent is aware that there is a part of his/her wealth that rightfully belongs to others
- $X_{18}$  = if the respondent believes that by paying the zakah he/she is setting a good example for others
- $X_{19}$  = if the amil zakah institution works professionally
- $X_{20}$  = if the amil zakah institution is transparent in their monetary reports
- $X_{21}$  = if the respondent feels comfortable paying the zakah at an amil zakah institution
- $X_{22}$  = if the service at the amil zakah institution is satisfactory
- $X_{23}$  = if the amil zakah institution socializes through mass media, including electronic media
- $X_{24}$  = if the amil zakah institution socializes directly to the people

X<sub>25</sub>= if the zakah is automatically deducted from the respondents salary in his/her place of employment

X<sub>26</sub> = education

X<sub>27</sub> = occupation

X<sub>28</sub> = income

X<sub>29</sub> = place of saving

X<sub>30</sub> = frequency of paying alms

X<sub>31</sub> = frequency of paying zakah

## **4. RESULTS AND DISCUSSION**

### **4.1. Calculation of Zakah Potential in Indonesia**

Actual zakah collection in Indonesia has shown persistent increase for the last decade. For instance, in the year 2005 the amount of collected zakah reached Rp 295 billion while in the year 2010 it reached Rp 1.50 trillion (BAZNAS, 2011). This indicated a substantial rise of 408.47 percent in the collection of zakah within five years. However, this amount was still far behind its potential, which is higher than the actual figure. This may be caused by low level of Indonesian Muslims' awareness to pay zakah and current management of zakah, which needs to be enhanced.

Zakah is the third pillar of Islam which could strengthen economic foundation of the ummah. Zakah could also be used as a tool to improve quality of human resources and increase income level of the society. Therefore, its role for development of the country is extremely important.

Being the most populous Muslim country in the world Indonesia actually has very big zakah potential. If the realization of zakah collection can be optimized, the problem of poverty that still exists may be overcome. Hence, professional and trustable zakah management is highly required. The following subsections attempt to calculate zakah potential by using household income, corporation and deposits as the basis of estimation.

#### 4.1.1. Household Zakah Potential

Household zakah potential is estimated based on household income which exceeds standard of *nisab* (exemption limit). This type of zakah paid is known as zakah of profession. Profession can be classified into two groups. Firstly, a profession that is not depending upon others, such as tailor and lawyer; and secondly, a profession that is conducted for other parties, such as employee of the company. Qardawi (1996) has called income earned from various professions as *al-maal al-mustafad*, i.e. wealth or income which is resulted from skilful jobs requiring particular ability.

Qardawi (1996) further argues that both *al-maal al-mustafad* such as salary earned by medical doctors and lawyers, and income which is yielded from investments in various businesses, such as printing company and airplane business, are obliged to pay zakah on annual basis (*haul*). The rate of zakah that must be paid is equal to one fortieth or 2.50 percent. This is based on general verses and hadiths which impose zakah on gold and silver.

However, one may dispute the validity of extending the coverage of zakatable items since zakah is part of *ibadah mahdah* (mandatory worship), which prohibits any modification without clear example set up by the Prophet. In response to this argument, Kahf (2002) argues in a systematic way that Islam stands for justice, consistency and rationality, which necessitate application of *ijtihad* to review the *fiqhi* issues like the coverage of and *nisab* of zakah on new items of wealth and income.

Sadeq (2002) taking the stand of Kahf argues that if the coverage of zakah is not reconsidered, the institution of zakah will not be able to reach many rich people including major wealthy industrialists, real estate owners, highly salaried persons, and so on, while relatively poor people in agriculture will be liable to pay zakah based on '*ushr*'.<sup>7</sup> On the other hand, Sadeq citing Afzal suggests that evidence of changing both coverage and rates of zakah can be found in the past. If zakah is collected based on existing traditional *fiqhi* views, its proceeds will be very limited and will not be enough to provide subsistence

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<sup>7</sup> 'Ushr is basically zakah on agricultural produce (Aziz, 1993).

living to the poor. This implies that *fiqhi* views on the coverage of zakah should be reviewed for achieving socio-economic justice by reducing gap between the rich and the poor.

Hafidhuddin (2002) argues that pro and contra on this matter takes place because of misunderstanding on the concept of *al-amwal az-zakawiyah* (object of zakatable items). The opponents of the presence of zakah of profession are of the view that all items, which are not mentioned explicitly in the Quran and hadith, are not eligible to be categorized as zakatable items. Hafidhuddin (2002) argues that this type of approach is called *tafsili* (specific) approach. However, he further explains that there exists the second approach which also valid from shariah perspective. It is called *ijmali* (global) approach, which allows extension of the coverage of zakatable items as long as these items fulfill shariah requirements. This is based on general meaning of *amwal* (wealth and income) in various verses, such as in the QS Al-Taubah (9): 103 and QS Al-Baqarah (2): 267, which may include all types of wealth. As for the rate of zakah, it should be ranging from 2.50 percent until 20 percent and must not be made flexible.

In the context of Indonesia, this dispute is solved by Zakah Management Act No. 38/1999 which mentions explicitly income from allowable professions as one of the sources of zakah. Therefore, there is no difference of opinion in this regard. A problem arises when deciding which standard of *nisab* and rate of zakah that will be adopted in the country. BAZNAS (Badan Amil Zakat Nasional or the National Board of Zakah), as the highest government zakah institution, has decided to use agriculture as the basis of *nisab* standard and 2.50 percent as the rate of zakah that must be paid by zakah payers<sup>8</sup>. This research, hence, uses this *nisab* standard in the estimation of household zakah potential.

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<sup>8</sup> According to Hafidhuddin (2002), there are three different methods of *qiyas* (analogy) that can be used in this regard. Firstly, zakah of profession is analogous with zakah of gold and silver. The *nisab* standard equals 85 grams of gold, and the payment of zakah must be made after a year with the rate of 2.50 percent. The government may decide basic needs standard, which can be used as the cost that can deduct zakah. Secondly, it is analogous with zakah of agriculture. The *nisab* standard equals 524 kg of rice and the rate is 5 percent. Zakah payment must be conducted every month since there is no *haul* application. Thirdly, it is analogous with two things directly. This approach is known as *qiyas syabah*. As for the *nisab*, zakah of agriculture standard (524 kg of rice) is used while the rate of payment uses zakah of gold and silver standard (i.e. 2.50 percent). Payment is made on monthly basis. BAZNAS has adopted the third approach for two reasons. First, it is difficult to measure standard of living in Indonesia. Employing analogy on zakah of agriculture closes the door of basic needs calculation. Living cost of the farmer is not counted, but the cost

A number of researches have attempted to calculate zakah potential prior to this study. For instance, a survey institution namely PIRAC has estimated that zakah potential in the country reached Rp 6.132 trillion and Rp 9.09 trillion in the year 2004 and 2007, respectively. It surveyed ten different cities throughout the country. The survey aimed at observing behavior of the Muslims and changes in the zakah potential map in Indonesia. PIRAC (2007) concluded that zakah potential has increased consistently. Another study conducted by Centre for Language and Culture of the Islamic State University Jakarta (2004) found different figure of zakah potential. The Centre estimated that zakah potential reached Rp 19.30 trillion per annum.

Given those previous studies, this research employs SUSENAS 2009 data<sup>9</sup> covering all provinces as its basis of estimation. Total number of surveyed respondents reached 291,753 households. Zakah is calculated by multiplying average zakah amount per household in each province with the proportion of Muslim citizens in each province and the number of households per province. Rice standard, which equals 524 kg, is applied by this study. This is in line with BAZNAS policy.

Details of total estimation of household zakah potential are depicted in the Table 2. Based on the table, it is found that national household zakah potential reach Rp 82.70 trillion in the year 2009. This figure is equal to 1.30 percent of the total GDP. Therefore, given this percentage and by assuming total GDP equals Rp 7,000 trillion this year, total zakah potential in the year 2011 is estimated to be equal to Rp 91 trillion.

West Java is also found to be the province having the highest household zakah potential (Rp 17.67 trillion) followed by East Java and Central Java. Total household zakah potential for the latter two provinces reaches Rp 15.49 trillion and Rp 13.28 trillion, respectively. These three provinces compose 56.20 percent

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of production. BAZNAS has decided that agricultural production cost is translated as major debt of the *muzakki*. Among this major debt is debt for purchasing food and paying the hospital bills. However, installment payment for cars and houses, if any, is not classified as major debt. Second, from justice consideration; it is unfair if the farmers, who are mostly living in the poor condition, must pay zakah when their harvest exceeds the *nisab* while other high income people, such as dentist and surgeon, are not obliged to pay zakah.

<sup>9</sup> SUSENAS or *Survey Sosial Ekonomi Nasional* is a national socio economic survey. It was regularly conducted by the Central Board of Statistic of Indonesia.

of the national potential. On the other hand, the bottom three provinces having lowest potential are occupied by West Papua, Papua and Bali.

They have the least proportion of Muslim citizens as compared to the other provinces. Christians are dominant in West Papua and Papua, while Hindus are majority in Bali. West Papua is ranked at the bottom since this province has zakah potential which equals Rp 111.68 billion. This amount is less than those of Papua and Bali, which have zakah potential reaching Rp 117.44 billion and Rp 126.25 billion, respectively. The share of these three provinces to the national potential is only 0.43 percent.

Based on this estimation, it can be concluded that Indonesia has a very considerable national household zakah potential. It can be used as source of fund for economic development of the country in addition to tax. Zakah can also be utilized as a tool to reduce poverty and income inequality, and enhance welfare level of the society.

**Table 2. Household Zakah Potential In 2009**

Province	2009				Zakah Potential (Rp)
	Number of Households	Number of Moslem	(%)	Zakah per Households (Rp)	Rice
NAD	972,500	4,285,931	96.70	1,559,395.70	1,466,128,811,522.46
SUMATERA UTARA	3,027,500	8,368,035	65.50	1,530,937.71	3,037,022,495,806.91
SUMATERA BARAT	1,156,600	4,455,251	97.80	1,518,843.59	1,717,919,510,603.34
RIAU	1,242,600	4,521,460	87.50	1,582,994.90	1,721,389,252,498.19
JAMBI	692,100	2,523,542	96.10	1,571,232.52	1,044,537,568,236.38
SUMATERA SELATAN	1,691,300	6,951,142	94.20	1,497,526.91	2,385,588,618,814.96
BENGKULU	409,500	1,795,166	98.50	1,471,991.25	593,835,337,766.66
LAMPUNG	1,840,700	6,712,802	91.80	1,594,291.61	2,694,953,001,224.66
BANGKA BELITUNG	280,700	898,818	84.20	1,469,457.79	347,404,015,207.37
KEPULAUAN RIAU	411,900	1,202,875	80.80	1,587,961.75	528,217,390,565.36
DKI JAKARTA	2,306,600	7,867,369	87.70	2,006,051.46	4,059,930,957,914.50
JAWA BARAT	10,860,700	47,538,806	97.50	1,667,858.15	17,668,508,618,791.00
JAWA TENGAH	8,613,900	31,796,070	96.00	1,606,651.31	13,280,257,970,788.80
DI YOGYAKARTA	1,058,200	3,264,529	91.70	1,556,592.60	1,510,130,398,069.48
JAWA TIMUR	10,173,400	35,496,386	95.40	1,595,729.25	15,494,893,668,873.90
BANTEN	2,332,800	8,639,722	95.90	1,839,596.54	4,115,894,193,764.95
BALI	903,500	329,785	9.20	1,526,832.37	126,249,452,686.57
NTB	1,154,200	4,072,265	97.70	1,471,551.70	1,658,778,272,196.10
NTT	988,900	399,543	8.60	1,562,335.23	133,072,988,600.46
KALIMANTAN BARAT	969,800	2,551,704	57.70	1,565,393.16	876,289,904,628.07
KALIMANTAN TENGAH	925,800	1,499,810	71.20	1,539,727.74	1,014,816,807,060.17
KALIMANTAN SELATAN	515,500	3,172,912	97.00	1,568,491.51	784,212,018,967.11
KALIMANTAN TIMUR	758,700	2,791,254	82.40	1,600,143.12	1,000,393,866,159.20

**Table 2. Household Zakah Potential In 2009 (Continue)**

Province	2009				Zakah Potential (Rp)
	Number of Households	Number of Moslem	(%)	Zakah per Households (Rp)	Rice
SULAWESI UTARA	592,500	690,991	30.30	1,572,127.52	282,117,942,613.58
SULAWESI TENGAH	590,800	1,972,113	77.10	1,558,720.10	709,835,494,826.39
SULAWESI SELATAN	1,807,700	7,156,367	86.80	1,565,844.73	2,457,572,156,958.03
SULAWESI TENGGARA	472,900	2,307,189	95.10	1,493,366.79	671,558,951,459.22
GORONTALO	250,900	1,003,738	96.80	1,491,404.39	362,312,963,826.33
SULAWESI BARAT	236,300	8,415,000	97.60	1,636,546.00	377,584,028,904.17
MALUKU	289,100	753,789	52.30	1,476,286.68	223,405,433,973.27
MALUKU UTARA	208,300	841,644	75.20	1,400,705.25	219,418,013,800.24
PAPUA BARAT	181,200	364,259	42.30	1,458,053.98	111,679,094,225.24
PAPUA	504,700	404,293	14.60	1,596,983.41	117,439,504,638.36
Jumlah	58,421,800	215,044,560	2,549.20	51,741,626.74	<b>82,793,348,705,971.50</b>

Source: SUSENAS (Survey Ekonomi Nasional), 2009 (processed)

#### **4.1.2. Zakah Potential for Manufacture Industry, Other Industries, and State-Owned Enterprises (*Badan Usaha Milik Negara – BUMN*)**

Zakah of corporation according to contemporary Islamic scholars (*ulama*) is considered as zakah of trade. It is because of similarity between activities of corporation and those of trading. This also was confirmed by international *muktamar* (conference) of zakah arranged in Kuwait on April 3, 1984 in which zakah of corporation is assumed to be equal to zakah of trade if the following conditions are fulfilled.

- 1) There is a rule imposing payment of the zakah of corporation
- 2) Corporate constitution explicitly mentions this rule of corporation zakah
- 3) Annual General Meeting (AGM) of shareholders issues a decision related with zakah of corporation
- 4) Willingness of the shareholders to allow board of directors to execute payment of zakah of corporation

Furthermore, terms and conditions of corporation as a source of zakatable items are as follows (Baznas Dompot Dhuafa, 2006:24):

- 1) Legal ownership is in the hand of Muslims
- 2) Core business of the company is in *halal* (permissible) business
- 3) The business value can be counted
- 4) Business assets are growing
- 5) Company's assets are greater than or equal to 85 grams of gold
- 6) Analogous with zakah of trade

The foundation of zakah of corporation is based on the Quran Surah Al-Baqarah verse number 267, in which Allah SWT states: "*O ya who believe! Give of the good things which ye have (honourably) earned*"; and in the Quran Surah Al-Taubah verse number 103, in which Allah SWT says: "*Of their goods, take alms, that so thou mightest purify and sanctify them; and pray on their behalf. Verily thy prayers are a source of security for them: And Allah is One Who heareth and knoweth*".

Calculation method, *nisab* standard and requirements of zakah of corporation follow those of zakah of trade. Abu Ubaid in his noble book namely

*Kitab al-Amwal* has made basis of estimation on zakah of corporation. He said that “when the time to pay zakah has come, you have to be aware to what you have, either cash or inventory, and value them in monetary terms, including receivable. Then calculate your debts and subtract them to what you have”.

Corporation according to Beik (2008) is categorized as *shakhsiyyah ‘itibariyyah* or *recht person*, which is considered as man since it has rights and obligations like human being. Corporation may have asset and wealth separated from shareholders. Therefore, when a corporation has assets exceeding *nisab* then zakah obligation can be levied on it. During the Prophet era the concept of *shakhsiyyah ‘itibariyyah* could be observed in the case of *Bayt al-Maal*. *Bayt al-Maal* would be the heir of the departed who have no descendants or relatives who could inherit the wealth. Hence, analogy of corporation to this concept is valid from shariah and historical perspectives.

#### **a. Zakah Potential of Manufacture and Other Industries**

Zakah potential of each type of industry is calculated by multiplying net profit earned with 2.50 percent<sup>10</sup>. Types of industry that is included in this study comprise medium and large scale manufacture and other industries. Data used in the estimation is based on economic census of 2006, which was released by Central Board of Statistic. Non halal industries, such as wine, liquor and tobacco, are excluded from calculation. Based on the available data, it is found that total zakah potential of manufacture and other industries is equal to Rp 114.89 trillion (vide Table 3). It is equivalent with 1.80 percent of total GDP.

As for manufacture industry which consists of 21 industries, zakah potential reaches Rp 22 trillion. It is obtained from adding up net profit of food and beverage industry with that of other manufacture industries, and multiplies the result with 2.50 percent. Food and beverage industry has the biggest contribution to the zakah potential of manufacture industry group. Its potential reaches Rp 3.70 trillion or 16.82 percent from total potential of the group. On

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<sup>10</sup> Due to limitation of data, which portrays only income and expenditure posts of each industry, this method of calculation is applied. Minimum zakah potential of each industry can be identified.

the other hand, machine and office equipments are found to have the least share to the group's zakah potential.

Zakah of corporation is also estimated from services industry. It comprises community services, tourism, electricity, water, accommodation, health services, social services and education. In addition, zakah potential from construction industry, wholesaler and retail industry, and real estate industry are also estimated. They compose 'other industries'. It is found that hotel and other accommodation industry has the highest zakah potential, which reaches Rp 88 trillion. However, since electricity industry suffers loss, its zakah potential is not counted (vide Table 3).

Given this promising zakah potential, endeavors to concrete zakah of corporation should be increased. It is a challenge for the policymakers and zakah practitioners to encourage fulfillment of zakah obligation from various industries in the country.

**Tabel 3. Zakah Potential of Manufacture Industry and Other Industries in 2006 (Thousands of Rupiah)**

Indonesian Standard Industrial Classification	Revenue	Expenditure	Profit	Zakah
<b>1) Manufacturing</b>				
15 Food Products and Beverages	264,565,780,120	182,659,803,933	81,905,976,187	
	<i>234,389,021,642</i>	<i>161,853,795,636</i>	<i>72,535,226,006</i>	
		<b>Gross Profit (15)</b>	<b>154,441,202,193</b>	
15510 Liquors	45,953,820	24,589,416	21,364,404	
	*	*		
15520 Wines and its similar products	31,761,246	13,782,011	17,979,235	
	*	*		
15530 Malt liquors and malt	1,182,463,667	710,199,542	472,264,125	
	<i>1,143,049,467</i>	<i>676,459,306</i>	<i>466,590,161</i>	
		<b>Net Profit Haram Products</b>	<b>978,197,925</b>	
		<b>Net Profit (15)</b>	<b>153,463,004,268</b>	3,836,575,107
17 Textiles	103,341,844,043	65,812,678,356	37,529,165,687	938,229,142
	<i>98,779,075,400</i>	<i>63,238,118,492</i>	<i>35,540,956,908</i>	<i>888,523,923</i>
18 Wearing apparel	45,369,449,298	26,011,282,465	19,358,166,833	483,954,171
	<i>41,189,778,232</i>	<i>23,660,107,809</i>	<i>17,529,670,423</i>	<i>438,241,761</i>
19 Tanning and dressing of leather	23,472,351,793	13,081,535,110	10,390,816,683	259,770,417
	<i>21,989,058,059</i>	<i>12,252,845,053</i>	<i>9,736,213,006</i>	<i>243,405,325</i>
20 Wood, products of wood except furniture and plaiting materials	38,204,948,879	23,577,938,610	14,627,010,269	365,675,257
	<i>34,314,183,053</i>	<i>21,127,078,211</i>	<i>13,187,104,842</i>	<i>329,677,621</i>
21 Paper and paper products	71,958,669,273	41,243,789,516	30,714,879,757	767,871,994
	<i>68,411,685,613</i>	<i>39,267,797,604</i>	<i>29,143,888,009</i>	<i>728,597,200</i>

**Table 3. Zakah Potential of Manufacture Industry and Other Industries in 2006 (Thousands of Rupiah) (Continue)**

<b>Indonesian Standard Industrial Classification</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Profit</b>	<b>Zakah</b>
22 Publishing, printing and reproduction of recorded media	12,955,480,358	6,456,175,502	6,499,304,856	162,482,621
	<i>8,566,214,092</i>	<i>4,529,356,905</i>	<i>4,036,857,187</i>	<i>100,921,430</i>
23 Coal, refined petroleum products and nuclear fuel	7,724,526,743	2,619,174,419	5,105,352,324	127,633,808
	<i>7,893,323,286</i>	<i>1,935,928,478</i>	<i>5,957,394,808</i>	<i>148,934,870</i>
24 Chemicals and chemical products	147,579,971,224	89,338,196,121	58,241,775,103	1,456,044,378
	<i>125,684,805,061</i>	<i>74,396,925,951</i>	<i>51,287,879,110</i>	<i>1,282,196,978</i>
25 Rubber and plastics products	99,994,927,377	70,158,836,000	29,836,091,377	745,902,284
	<i>90,515,629,848</i>	<i>65,721,477,292</i>	<i>24,794,152,556</i>	<i>619,853,814</i>
26 Other non-metallic mineral products	39,659,410,326	20,744,030,154	18,915,380,172	472,884,504
	<i>35,949,658,249</i>	<i>18,937,617,417</i>	<i>17,012,040,832</i>	<i>425,301,021</i>
27 Basic metals	81,761,878,792	61,657,492,988	20,104,385,804	502,609,645
	<i>74,600,232,012</i>	<i>56,301,960,887</i>	<i>18,298,271,125</i>	<i>457,456,778</i>
28 Fabricated metal products, except machinery and equipment	32,200,196,986	19,686,487,995	12,513,708,991	312,842,725
	<i>26,342,949,547</i>	<i>15,723,346,316</i>	<i>10,619,603,231</i>	<i>265,490,081</i>
29 Machinery and equipment n.e.c	24,454,869,014	15,444,954,195	9,009,914,819	225,247,870
	<i>21,627,487,216</i>	<i>13,614,037,983</i>	<i>8,013,449,233</i>	<i>200,336,231</i>
30 Office, accounting and computing machinery	165,033,920	50,945,097	114,088,823	2,852,221
	<i>143,994,204</i>	<i>44,593,488</i>	<i>99,400,716</i>	<i>2,485,018</i>
31 Electrical machinery and apparatus n.e.c	31,863,339,064	21,056,714,312	10,806,624,752	270,165,619
	<i>29,684,502,517</i>	<i>19,642,336,230</i>	<i>10,042,166,287</i>	<i>251,054,157</i>
32 Radio, television and communication equipment and apparatus	46,440,598,352	28,076,349,175	18,364,249,177	459,106,229
	<i>43,556,846,475</i>	<i>26,213,325,407</i>	<i>17,343,521,068</i>	<i>433,588,027</i>

**Table 3. Zakah Potential of Manufacture Industry and Other Industries in 2006 (Thousands of Rupiah) (Continue)**

<b>Indonesian Standard Industrial Classification</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Profit</b>	<b>Zakah</b>
33 Medical, precision and optical instruments, watches and clocks	4,831,711,268	2,684,196,873	2,147,514,395	53,687,860
	<i>3,382,905,276</i>	<i>1,699,238,867</i>	<i>1,683,666,409</i>	<i>42,091,660</i>
34 Motor vehicles, trailers and semi-trailers	69,848,465,123	23,481,540,333	46,366,924,790	1,159,173,120
	<i>68,538,503,739</i>	<i>22,767,708,112</i>	<i>45,770,795,627</i>	<i>1,144,269,891</i>
35 Other transport equipment	46,244,684,559	27,666,746,630	18,577,937,929	464,448,448
	<i>43,669,048,958</i>	<i>26,359,640,305</i>	<i>17,309,408,653</i>	<i>432,735,216</i>
36 Furniture and manufacturing n.e.c	27,921,141,935	14,899,933,880	13,021,208,055	325,530,201
	<i>21,486,877,518</i>	<i>11,891,587,652</i>	<i>9,595,289,866</i>	<i>239,882,247</i>
37 Recycling	1,327,326,116	738,511,876	588,814,240	14,720,356
	<i>138,188,332</i>	<i>50,238,046</i>	<i>87,950,286</i>	<i>2,198,757</i>
Total Net Profit Manufacturing	1,823,785,771,130	1,093,862,776,112	883,385,999,286	22,084,649,982
<b>2) Construction</b>	37,784,620,088	21,810,700,856	15,973,919,232	399,347,981
<b>3) Society, Social and Other Individual Services</b>	1,701,382,639	816,777,675	884,604,964	22,115,124
<b>4) Travelling Services</b>	8,971,564,222	6,313,197,489	2,658,366,733	66,459,168
<b>5) Electricity</b>	70,296,205	77,215,260	-6,919,055	0
<b>6) Water Supply</b>	6,419,448,348	4,227,910,187	2,191,538,161	54,788,454
<b>7) Hotel and Other Accomodation</b>	12,758,064,703,281	9,237,144,685,865	3,520,920,017,416	88,023,000,435
<b>8) Wholesale and Retail Trade</b>	355,621,473,585	264,208,219,062	91,413,254,523	2,285,331,363
<b>9) Health and Social Activities Services</b>	17,817,453,412	14,376,741,709	3,440,711,704	86,017,793
<b>10) Real Estate, Renting and Establishment Services</b>	84,179,377,272	14,887,416,302	69,291,960,970	1,732,299,024
<b>11) Education Services</b>	13,612,888,628	8,184,476,463	5,428,412,165	135,710,304
<b>Total</b>	<b>15,108,028,978,810</b>	<b>10,665,910,116,980</b>	<b>4,595,581,866,099</b>	<b>114,889,719,629</b>

Source: Economic Sensus, 2006 (processed)

## **b. Zakah Potential of State-Owned Enterprises (*Badan Usaha Milik Negara – BUMN*)**

Zakah potential of BUMN as mentioned by Hafidhuddin (2010) actually achieves Rp 14.30 trillion. Provincial and city owned corporations are not included in the figure, meaning that the number may be greater than that. However, in the year 2009, there were only 50 companies which already fulfilled their zakah obligations. Their amount of zakah was only Rp 4-5 billion.<sup>11</sup> The gap between actual collection and potential of zakah is still very large.

If this potential of zakah of corporations can be realized, Indonesia will have alternative source of fund other than foreign debt, which can be utilized in its economic development. In terms of legal status, which may be disputed by some scholars, zakah of corporation has been recognized by Indonesia Council of Ulama and current law system. The Indonesia Council of Ulama has issued a verdict on zakah of corporation on January, 2009. Corporation and trade have also been mentioned in the Zakah Management Act No 38/1999 as one of the sources of zakatable items.

Table 4 depicts total zakah potential of state-owned enterprises (BUMN), which runs various business areas comprising banking, insurance, construction, water, transportation, post, hotel, medicine, oil and gas, agriculture, fertilizer, electricity, telecommunication, cement and film. The method of estimating zakah potential of BUMN is same with manufacture and other industries, i.e. net profit earned multiplied by 2.50 percent.

Based on the available data, total zakah potential of BUMN achieves Rp 2.40 trillion. When this amount is added to the zakah potential of industries calculated in the previous section, the figure will increase to Rp 117.29 trillion. It is equivalent with 1.84 percent of the total GDP. PT Pertamina (National Oil Company) is found to have the highest zakah potential (Rp 727 billion) followed by a telecommunication company PT Telkom (Rp 497 billion), state-owned bank PT Bank Rakyat Indonesia Tbk (Rp 129.78 billion), state-owned insurance

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<sup>11</sup>Republika Online. 2009. Potensi Zakat Perusahaan Perlu Digali.  
[http://koran.republika.co.id/koran/0/41833/Potensi\\_Zakat\\_Perusahaan\\_Perlu\\_Digali](http://koran.republika.co.id/koran/0/41833/Potensi_Zakat_Perusahaan_Perlu_Digali) (9 Mei 2011)

company PT Jamsostek (Rp 129 billion), and state-owned gold mining company PT Aneka Tambang Tbk (Rp 128 billion).

These five companies contribute 67.12 percent to the total zakah potential of BUMN. They achieve considerable profit level. However, some of the BUMN suffer loss, and hence, their zakah potential is not estimated.

**Table 4. Zakah Potential of State-Owned Enterprises (BUMN) In 2007 (Millions of Rupiah)**

Number	Name of State-Owned Enterprises (BUMN)	Profit	Zakah
1	PT BRI Tbk	5,191,540.00	129,788.50
2	PT BTN	558,700.00	13,967.50
3	PT Bank Ekspor Indonesia (BEI)	396,260.00	9,906.50
4	PT Asuransi Jiwasraya	33,312.00	832.80
5	PT Asuransi Jasa Indonesia	128,322.00	3,208.05
6	PT ASKES	425,476.00	10,636.90
7	PT JAMSOSTEK	5,163,317.00	129,082.93
8	PT Tabungan Asuransi dan Pegawai Negeri (TASPEN)	472,054.00	11,801.35
9	PT Asuransi Sosial Angkatan Bersenjata RI (ASABRI)	102,076.00	2,551.90
10	PT Asuransi Ekspor Indonesia (ASEI)	15,618.00	390.45
11	PT Asuransi Jasa Rahardja	571,952.00	14,298.80
12	PT Asuransi Umum Indonesia	-741.00	0.00
13	PT Dana Reksa	108,992.00	2,724.80
14	PT Kliring Berjangka Indonesia	12,405.00	310.13
15	PT Pann Multi Finance	27,885.00	697.13
16	Perum pegadaian	563,034.00	14,075.85
17	Perum sarana pengembangan usaha	62,695.00	1,567.38
18	PT Permodalan nasional madani	48,000.00	1,200.00
19	PT Adhi Karya Tbk.	213,003.00	5,325.08
20	PT Waskita karya	2,295,020.00	57,375.50
21	PT Utama karya	88,921.00	2,223.03
22	PT Nindya karya	39,731.00	993.28
23	PT Pembangunan perumahan	187,574.00	4,689.35
24	PT Wijaya karya Tbk.	254,669.00	6,366.73
25	PT Brantas Abipraya	25,827.00	645.68
26	PT Istaka karya	15,083.00	377.08
27	Perum pembangunan perumahan nasional	-39,475.00	0.00
28	PT Virama karya	3,316.00	82.90
29	PT Indah Karya	-472.00	0.00
30	PT Yodya karya	4,480.00	112.00

**Table 4. Zakah Potential of State-Owned Enterprises (BUMN) In 2007 (Millions of Rupiah) (Continue)**

<b>Num ber</b>	<b>Name of State-Owned Enterprises (BUMN)</b>	<b>Profit</b>	<b>Zakah</b>
31	PT Bina karya	4,716.00	117.90
32	PT Indra Karya	3,572.00	89.30
33	PT Amarta Karya	-3,115.00	0.00
34	PT Jasa Marga Tbk.	1,014,350.00	25,358.75
35	PT Superintending company of indonesia	88,121.00	2,203.03
36	PT Surveyor Indonesia	21,058.00	526.45
37	PT Survey Udara Panas	0.00	0.00
38	PT Biro Klasifikasi Indonesia	22,765.00	569.13
39	Perum Jasa Tirta I	9,600.00	240.00
40	Perum Jasa Tirta II	44,837.00	1,120.93
41	PT Perusahaan Pengelola Aset	26,568.00	664.20
42	PT Pelabuhan Indonesia I	201,020.00	5,025.50
43	PT Pelabuhan Indonesia II	741,101.00	18,527.53
44	PT Pelabuhan Indonesia III	804,365.00	20,109.13
45	PT Pelabuhan Indonesia Iv	138,211.00	3,455.28
46	PT Pelayaran Nasional Indonesia	-100,031.00	0.00
47	PT Pelayaran Bahtera Adhiguna	-4,555.00	0.00
48	PT Djakarta Lloyd	-49,841.00	0.00
49	PT ASDP Indonesi Ferry	68,581.00	1,714.53
50	PT Angkasa Pura I	241,609.00	6,040.23
51	PT Angkasa Pura II	625,734.00	15,643.35
52	PT Kereta Api Indonesia	-230,275.00	0.00
53	Perum Pengangkutan Penumpang Djakarta	-30,199.00	0.00
54	Perum DAMRI	7,119.00	177.98
55	PT Pos Indonesia	84,859.00	2,121.48
56	PT Bhandha Ghara Reksa (BGR)	21,213.00	530.33
57	PT Varuna Tirta Prakasa (VTP)	636.00	15.90
58	Perum Badan Urusan Logistik (Bulog)	535,404.00	13,385.10
59	PT Perusahaan Perdagangan Indonesia	1,029,295.00	25,732.38
60	PT PP Berdikari	2,395.00	59.88
61	PT Sarinah	8,312.00	207.80
62	PT Pengerukan Indonesia (Rukindo)	5,037.00	125.93
63	PT Kimia Farma Tbk	66,001.00	1,650.03
64	PT Indofarma Tbk	-1135	0.00
65	PT Bio Farma	169,808.00	4,245.20
66	PT Hotel Indonesia Natour (HIN)	430.00	10.75
67	PT TWC Borobudur, Prambanan da Ratu Boko (TWC)	981.00	24.53

**Table 4. Zakah Potential of State-Owned Enterprises (BUMN) In 2007 (Millions of Rupiah) (Continue)**

<b>Num ber</b>	<b>Name of State-Owned Enterprises (BUMN)</b>	<b>Profit</b>	<b>Zakah</b>
68	PT Pengembangan Pariwisata Bali (Pesero)	15,110.00	377.75
69	PT Kawasan Berikat Nusantara (KBN)	21,866.00	546.65
70	PT Kawasan Industri Medan (KIM)	14,342.00	358.55
71	PT Kawasan Industri Makasar (KIMA)	9,268.00	231.70
72	PT Kawasan Industri Wijaya Kusuma (KIW)	151.00	3.78
73	PT Pengusahaan daerah Industri Pulau Batam (Persero Batam)	78.00	1.95
74	PT Garuda Indonesia	295,833.00	7,395.83
75	PT Merpati Nusantara Airlines	-170233	0.00
76	PT Dok dan Perkapalan Kodja Bahari	1,136.00	28.40
77	PT Dok dan Perkapalan Kodja Surabaya	16,209.00	405.23
78	PT Industri Kapal Indonesia	-2593	0.00
79	PT Pal Indonesia	-20845	0.00
80	PT Perkebunan Nusantara (PTPN) I	22,225.00	555.63
81	PT Perkebunan Nusantara (PTPN) II	199,255.00	4,981.38
82	PT Perkebunan Nusantara (PTPN) III	1,015,203.00	25,380.08
83	PT Perkebunan Nusantara (PTPN) IV	788,571.00	19,714.28
84	PT Perkebunan Nusantara (PTPN)V	331,206.00	8,280.15
85	PT Perkebunan Nusantara (PTPN)VI	155,047.00	3,876.18
86	PT Perkebunan Nusantara (PTPN)VII	468,809.00	11,720.23
87	PT Perkebunan Nusantara (PTPN)VIII	301,064.00	7,526.60
88	PT Perkebunan Nusantara (PTPN)IX	194,818.00	4,870.45
89	PT Perkebunan Nusantara (PTPN)X	125,666.00	3,141.65
90	PT Perkebunan Nusantara (PTPN)XI	176,387.00	4,409.68
91	PT Perkebunan Nusantara (PTPN)XII	136,954.00	3,423.85
92	PT Perkebunan Nusantara (PTPN)XIII	291,423.00	7,285.58
93	PT Perkebunan Nusantara (PTPN)XIV	5,858.00	146.45
94	PT Rajawali Nusantara Indonesia (RNI)	241,547.00	6,038.68
95	PT Sang Hyang Seri (SHS)	17,761.00	444.03
96	PT Pertani	1,894.00	47.35
97	PT Perikanan Indonesia	-6306	0.00
98	Perum Prasarana Perikanan Samudra (PPS)	-308	0.00
99	PT. Pupuk Sriwidjaja (PUSRI)	3,020,245.00	75,506.13
100	PT. Eksploitasi dan Industri Hutan ( INHUTANI) I	-10,806.00	0.00
101	PT. Eksploitasi dan Industri Hutan ( INHUTANI) II	-44,539.00	0.00
102	PT. Eksploitasi dan Industri Hutan (INHUTANI) III	-1,733.00	0.00

**Table 4. Zakah Potential of State-Owned Enterprises (BUMN) In 2007 (Millions of Rupiah) (Continue)**

<b>Num ber</b>	<b>Name of State-Owned Enterprises (BUMN)</b>	<b>Profit</b>	<b>Zakah</b>
103	PT. Eksploitasi dan Industri Hutan (INHUTANI) IV	-4,631.00	0.00
104	PT. Eksploitasi dan Industri Hutan (INHUTANI) V	-6,014.00	0.00
105	Perum Kehutanan Negara (PERHUTANI)	66,335.00	1,658.38
106	PT. Kertas Leces	-54,042.00	0.00
107	PT Balai Pustaka	2,974.00	74.35
108	PT Pradnya Paramita	-796.00	0.00
109	Perum Percetakan Uang Republik Indonesia (PERURI)	153,837.00	3,845.93
110	Perum Percetakan Negara Republik Indonesia (PNRI)	390.00	9.75
111	PT Aneka Tambang (ANTAM) Tbk	5,131,932.00	128,298.30
112	PT Timah Tbk	2,057,780.00	51,444.50
113	PT Sarana Karya	1,874.00	46.85
114	PT Pertamina	29,099,294.00	727,482.35
115	PT Perusahaan Listrik Negara (PLN)	3,838,886.00	95,972.15
116	PT Perusahaan Gas Negara (PGN) Tbk.	2,160,267.00	54,006.68
117	PT Batubara Bukit Asam Tbk	662,023.00	16,550.58
118	PT Energi Managemen Indonesia (EMI)	2,496.00	62.40
119	PT Industri Telekomunikasi Indonesia (INTI)	15,863.00	396.58
120	PT Len Industri	33,277.00	831.93
121	PT Industri Kereta Api (INKA)	21,030.00	525.75
122	PT Batan Teknologi	-3,397.00	0.00
123	PT Krakatau Steel (KS)	873,794.00	21,844.85
124	PT Barata Indonesia	15,724.00	393.10
125	PT Boma Bisma Indra (BBI)	-4,651.00	0.00
126	PT Telekomunikasi Indonesia (TELKOM) Tbk	19,896,569.00	497,414.23
127	Perum Perusahaan Film Negara (PFN)	-6,802.00	0.00
128	PT DAHANA	22,850.00	571.25
129	PT PINDAD	32,833.00	820.83
130	PT Semen Gresik Tbk	1,734,316.00	43,357.90
131	PT Semen Baturaja	61,351.00	1,533.78
132	PT Industri Sandang Nusantara (INSAN)	-18,496.00	0.00
133	PT PRIMISSIMA (Persero)	-3,927.00	0.00
134	PT Industri Gelas (IGLAS)	-28,956.00	0.00
135	PT GARAM	14,110.00	352.75
	<b>Total Zakat Potential</b>		<b>2,419,117.3</b>

Source: Central Board for Statistics Indonesia, 2007 (processed)

#### 4.1.3. Potential of Zakah on Deposits

Zakah on deposits must be paid when it fulfills *nisab* and *haul* conditions. *Nisab* standard of zakah on deposits is 85 grams of gold. This is inline with the hadith of the Prophet in which he says: “*there is no obligation of zakah on wealth unless one year passes on it*” (reported by Abu Daud). The Prophet SAW also condemns those who attempt to avoid zakah obligation. He says: “*No reward for those who own saving (including gold and deposit) but never fulfill their zakah, except will be burnt in the Jahannam*” (reported by Bukhari).<sup>12</sup>

Zakah potential on deposits can be observed from various aspects such as Islamic banks, state-owned corporations and mixed government, non financial state-owned enterprises, limited conventional banks, and bank of regional or provincial development. Zakah potential on deposits is estimated by multiplying total deposits with 2.50 percent. Table 5 portrays zakah potential on deposits based on owners’ criteria, i.e. public and government. Potential owned by public is reflected by calculation of zakah on the column of BUMN and mixed government. Its figure is Rp 1.20 trillion.

**Table 5. Zakah Potential Of Outstanding Of Private Deposits Of Commercial and Rural Banks By Ownership (Billions of Rupiah)**

<b>Group Of Ownership</b>	<b>2010</b>	<b>Zakah</b>
Rupiah and Foreign Currency		
Other Financial Corporation :		
Public Owned	<b>49852</b>	<b>1246.30</b>
Insurance Companies	46090	1152.25
Financial Companies	2743	68.575
Pawn Shop	191	4.775
Mutual Funds	828	20.7
Government or State Enterprises	<b>90837</b>	<b>2270.925</b>
Government Enterprises	86203	2155.075
State Enterprises	4634	115.85
<b>Total Zakah Potential</b>		<b>3517.23</b>

Source: Banking Statistics, 2010 (processed)

<sup>12</sup>Zen, Muhammad. 2011. Zakat Tabungan Deposito. <http://www.eramuslim.com/konsultasi/zakat/zakat-tabungan-deposito.htm> (9 Mei 2011)

Zakah potential deposits which belong to the government and represented by BUMN and provincial or regional government owned companies (*Badan Usaha Milik Daerah – BUMD*) is around Rp 2.20 trillion. Zakah potential that belongs to the government is greater than that of public. This indicates that this zakah potential on deposits is still dominated by the government. If both potential are combined, the figure will be Rp 3.50 trillion, which is a great amount that can be allocated for the sake of the ummah.

Furthermore, Table 6 depicts zakah potential on deposits based on banking category. Limited bank is owned by public while regional development bank is owned by local or regional government. Table 6 also portrays the fact that people's deposits and savings in the limited bank are found to be greater than that of local or provincial government. This can be observed from the amount of saving accounts and current accounts.

**Table 6. Zakah Potential Of Outstanding Of Private Deposits Of Commercial and Rural Banks By Group Of Banks (Billions of Rupiah)**

<b>Group Of Banks and Type Of Deposits</b>	<b>2010</b>	<b>Zakah</b>
Rupiah and Foreign Currency State Bank		
State Bank	<b>520347</b>	<b>13008.68</b>
Demand Deposit	158703	3967.58
Time Deposit	361644	9041.10
Regional Government Bank	<b>123476</b>	<b>3086.90</b>
Demand Deposit	58497	1462.43
Time Deposit	64979	1624.48
<b>Total Zakah Potential</b>		<b>16095.58</b>

Source: Banking Statistics, 2010 (processed)

The value of deposits on the limited banks is Rp 520 trillion. Hence, its zakah potential reaches Rp 13 trillion. On the other hand, the deposit amount in the regional development banks is equal to Rp 123 trillion. Its zakah potential is Rp 3 trillion. If both banks are compared, it is observed that limited banks are able to adsorb people's savings in greater amount than regional development bank. This is because of the availability of branches and offices of the former, which is greater than the latter.

Zakah potential on deposits of Islamic banks is shown in the Table 7. Indicators used in this regard comprise wadiah<sup>13</sup> current accounts and mudarabah<sup>14</sup> investment accounts. Nominal value of wadiah accounts is Rp 6.20 trillion, which contributes 11.86 percent to the total deposits. Hence, its zakah potential reaches Rp 155 billion. Furthermore, nominal value of mudarabah accounts is bigger than that of wadiah account. It equals Rp 29 trillion, which compose 56.62 percent of the total deposits. Therefore, the estimated zakah potential of this account is Rp 739 billion. Given these computations it can be concluded that zakah potential of mudarabah accounts is greater than that of wadiah accounts.

**Table 7. Composition Of Third Party Funds Of Islamic Banks (Billions of Rupiah)**

Indikator	2009		
	Nominal	Composition to Total Third Party Funds (%)	Zakah
Wadiah Current Accounts	<b>6201</b>	<b>11.86</b>	<b>155.025</b>
Rupiah	5403	10.34	135.075
Foreign Exchange	798	1.53	19.95
Mudharabah Investment Accounts	<b>29595</b>	<b>56.62</b>	<b>739.875</b>
Rupiah	28484	54.49	712.1
Foreign Exchange	1111	2.13	27.775

Source: Banking Statistics, 2010 (processed)

#### 4.1.4. Total Calculation of Zakah Potential

Total zakah potential of the country comes from households, industries or corporations and deposits. After combining all potentials, it is known that summation of national zakah potential is Rp 217 trillion. This figure is equivalent with 3.40 percent of the total GDP. The number may increase or decrease following the rise or fall in the country's GDP. Therefore, when the government

<sup>13</sup> Wadiah is a contract between the depositors (owner of money) with the custodian for safekeeping.

<sup>14</sup> Mudarabah is a contract between a capital provider and an entrepreneur or a fund manager, whereby the entrepreneur or fund manager can mobilize the funds of the former for its business activity within the Sharia guidelines. Profits made are shared between the parties according to a mutually agreed ratio.

set up target to achieve Rp 7,000 trillion GDP this year, total zakah potential will be equal to Rp 238 trillion.

This huge potential provides an optimism that zakah has a very strategic role. Endeavors to accelerate collection of zakah are highly needed. People should be encouraged to donate their zakah to the formal institutions of *amil* (zakah officers). This will increase effectiveness of zakah distribution and utilization programs, which will positively affect welfare level of the society.

#### **4.2. Characteristics and Perception of the Respondents toward Zakah and Alms Payment**

This study is a result of interview to 345 respondents located in four different cities. Geographical distribution of the respondents can be observed in the Table 8. Based on level of education, majority of respondents (46.96%) receive higher education (bachelor level) followed by more than one-fourth of senior high school graduates. The least percentage lies on those who graduate from junior high school (2.32%). In terms of types of job, almost half of the respondents are working as government civil servants (48.7%). More than two-fifth of the respondents have an average monthly income between Rp 2.50 million until Rp 5 million (42.9%).

This research employs *crosstab* analysis, which covers the place favored by respondents to save money, willingness to pay zakah and alms, payment period of zakah and alms, and the place chosen to pay zakah. This study also attempts to observe reasons or motives of the respondents in selecting the place to pay zakah, paying alms, and choosing the time of paying zakah and alms.

Study on characteristics and perception of the respondents can be observed from various angles such as types of job, education level, income and expenditure, and some other factors which are suspected to influence someone's willingness to pay zakah. Those factors are iman (faith), recognition, altruism, self satisfaction and organization.

**Table 8. Geographical Distribution of the Respondents**

Variable		Total	(%)
Education Level	Elementary School	27	7.83
	Junior High School	8	2.32
	High School	91	26.38
	Diploma holders	17	4.93
	Bachelor holders	162	46.96
	Master holders	34	9.86
	PhD holders	6	1.74
Job	Farmers	23	6.67
	Traders	21	6.09
	State-Owned Enterprises Employees	11	3.19
	Government Civil Servants	168	48.70
	Private Employees	36	10.43
	Entrepreneurs	42	12.17
	Others	44	12.75
Income	Less than 2,5 million rupiah	123	35.65
	Between 2,5 – 5 million rupiah	148	42.90
	More than 5 million rupiah	74	21.45

Source: Primary data, 2011 (processed)

#### 4.2.1. Characteristics of the Respondents based on Selection of Bank

Types of bank which is popularly known by the society comprise conventional and Islamic banks. Table 9 attempts to figure out tendency of the respondents in selecting which bank that has relation with behavior of paying zakah.

Based on the types of job, which place Government civil servant at the top, majority of the respondents are saving their money in conventional banks (68.92 percent). This is considerably above those who save their money in Islamic banks (13.51 percent) or in both conventional and Islamic banks (17.58 percent). High number of government civil servants who use conventional bank is mostly due to salary payment system, which is conducted through conventional banks.

As for the farmers and state-owned enterprises employees, they have chosen conventional banks to save their money. The farmers are of the view that their choice is mostly affected by availability of branches of Islamic bank

offices which still very rare in rural areas and also by their loyalty to conventional banks. Most of the private employees, entrepreneurs and others save their money in conventional bank. However, there is a rise in the percentage of private employees and others to save their money in both conventional and Islamic banks. The respondents feel safer to have account in more than one bank and also Islamic bank is regarded by them as a bank complying with the shariah.

**Table 9. Characteristics of the Respondents based on Selection of Bank**

Variable	Bank (N)			Bank (%)		
	Conventional	Islamic	Both	Conventional	Islamic	Both
<b>Job</b>						
a.Farmers	14	0	0	100,00	0,00	0,00
b.Traders	12	3	2	70,59	17,65	11,76
c.State-Owned Enterprises Employees	11	0	0	100,00	0,00	0,00
d.Government Civil Servants	102	20	26	68,92	13,51	17,57
e.Private Employees	18	5	7	60,00	16,67	23,33
f.Entrepreneurs	22	5	5	68,75	15,63	15,63
g.Others	23	4	8	65,71	11,43	22,86
<b>Education Level</b>						
a.Elementary School	16	0	0	100,00	0,00	0,00
b.Junior High School	5	0	0	100,00	0,00	0,00
c.High School	48	10	8	72,73	15,15	12,12
d.Diploma holders	6	2	4	50,00	16,67	33,33
e.Bachelor holders	106	21	23	70,67	14,00	15,33
f.Master holders	19	3	10	59,38	9,38	31,25
g.PhD holders	2	1	3	33,33	16,67	50,00
<b>Income</b>						
a.Less than 2,5 million rupiah	66	17	10	70,97	18,28	10,75
b.Between 2,5 – 5 million rupiah	87	17	23	68,50	13,39	18,11
c.More than Rp 5 million rupiah	49	3	15	73,13	4,48	22,39
<b>Expenditure</b>						
a. Less than 1 million rupiah	32	12	6	64,00	24,00	12,00
b. More than 1 million rupiah	170	25	42	71,73	10,55	17,72

Source: Primary data, 2011 (processed)

When education is observed, it is found that majority of the respondents are university bachelor holders (150 respondents). Most of them deposit their money in conventional bank (70.67%) followed by Islamic bank (14%) and both of the banks (15.33%). As for the respondents who are graduated from elementary and junior high schools, it can be observed that they have selected conventional banks as the place to save the money. Those who deposit money in both conventional and Islamic banks can be observed in the group of those who graduated from senior high school until PhD holders. The higher the education enjoyed, the more is the awareness to open an Islamic bank account.

Furthermore, it is found that most of the respondents save their money in conventional bank from the aspect of income level, either low income group, middle income group or high income group. Based on the Table 8, it can be concluded that the higher the income level, the more is the percentage of those depositing money in Islamic bank. Similarly, the higher the income level, the bigger the number of those who saved their money in both conventional and Islamic banks. It indicates that higher income will lead the respondents to open account in both banks.

On the expenditure variable, majority of the respondents choose to save their money in conventional banks. The higher the expenditure, the bigger is the number of respondents who deposit their money in conventional bank and both banks. On contrary, the number of those depositing only in Islamic bank has decreased. Majority of the respondents whose expenditure below Rp 1 million save their money in conventional banks (64%). This figure is considerably above those depositing money in Islamic banks (24%) and in both banks (12%). Similar findings also take place for the respondents whose income above Rp 1 million. More than seven tenth of them (71.73%) save their money in conventional banks followed by one-tenth of them whom depositing money in Islamic banks (10.55%). The remaining 17.72% of the respondents admit that they save their money in both banks.

These findings come up with conclusion that the number of the respondents who deposit their money in conventional banks is bigger than that of the respondents using Islamic banks as the place for saving. However, those

having higher education background tend to save their fund in Islamic banks. Based on the Table 9 it is concluded that income and expenditure are not affecting the respondents in the decision of bank selection.

#### **4.2.2. Characteristics of the Respondents based on Zakah Payment**

Table 10 depicts characteristics of respondents based on zakah payment, whether or not they fulfill the obligation. 92% of the government civil servants are found to pay zakah while the rests are not. Better result can be observed for the state-owned enterprises employees. All of the respondents admit that they pay zakah. This contrasts the farmers group, in which only 78% that pay zakah. This seems to be caused by relatively low income level of the farmers as compared to the others. Employees group and entrepreneurs group tend to have bigger percentage of zakah payers since they have higher level of income. Usually the zakah fund will be deducted from the employees' monthly salary.

Interesting findings also can be observed from the respondents based on their education level. As depicted in the Table 10, it is found that only 74% of those graduated from elementary school that pay zakah. Those who are graduated from junior high school have higher figure. All of them are fulfilling zakah obligation. However, this figure decreases to 88% in the diploma holder group. Interestingly, all PhD holders are found to pay zakah fully. This shows that education level is not significantly affecting willingness to pay zakah since most of the respondents at various levels of education have fulfilled their zakah obligation.

Income and expenditure variables are shown in the Table 10. It is observed that those having income between 2.5 until 5 million rupiah occupy the highest percentage of zakah payers (93%), closely followed by those having income exceeding 5 million (92%). The respondents having income less than 2.5 million rupiah are found to have the least percentage of zakah payers (89%). In addition, when the respondents having less than 1 million rupiah of monthly expenditures are compared with those having more than 1 million rupiah of monthly expenditure, the figure portrays similar percentage. Therefore, it can be

concluded that both income and expenditure variables are not significantly affecting respondents in fulfilling their zakah payment.

Finally, there are only 29 respondents (8.5%) who do not pay zakah. The rests have fulfilled zakah obligation. Based on the findings, it can be concluded that majority of respondents have chosen to pay zakah irrespective of their level of education, income and expenditure. Position of zakah as an obligatory worship is identified to be the main cause for the respondents to perform zakah payment.

**Table 10. Characteristics of the Respondents based on Zakah Payment**

Variable	Zakah Payment (N)		Zakah Payment (%)	
	Yes	No	Yes	No
<b>Job</b>				
a.Farmers	18	5	78	22
b.Traders	20	1	95	5
c.State-Owned Enterprises Employees	11	0	100	0
d.Government Civil Servants	155	13	92	8
e.Private Employees	34	2	94	6
f.Entrepreneurs	37	5	88	12
g.Others	41	3	93	7
<b>Education Level</b>				
a.Elementary School	20	7	74	26
b.Junior High School	8	0	100	0
c.High School	86	5	95	5
d.Diploma holders	15	2	88	12
e.Bachelor holders	148	14	91	9
f.Master holders	33	1	97	3
g.PhD holders	6	0	100	0
<b>Income</b>				
a.Less than 2,5 million rupiah	110	13	89	11
b.Between 2,5 – 5 million rupiah	138	10	93	7
c.More than Rp 5 million rupiah	68	6	92	8
<b>Expenditure</b>				
a. Less than 1 million rupiah	54	5	92	8
b. More than 1 million rupiah	262	24	92	8

Source: Primary data, 2011 (processed)

#### 4.2.3. Characteristics of the Respondents based on Alms Payment

Alms payment may not be as regular as zakah payment. It is because alms is not an obligatory worship, but recommendable. Alms may have a lot of benefits. It is a recommendable worship which can be performed at any time without specific requirements. Regular alms payment is a noble act. It will purify one's wealth as mentioned in the QS Al-Baqarah verse number 276. Table 11 depicts the respondents based on alms payment. The variables observed are similar to those of zakah payment discussed in previous section.

**Table 11. Characteristics of the Respondents based on Alms Payment**

Variable	Alms Payment (N)		Alms Payment (%)	
	Yes	No	Yes	No
<b>Job</b>				
a.Farmers	12	11	52	48
b.Traders	16	5	76	24
c.State-Owned Enterprises Employees	10	1	91	9
d.Government Civil Servants	132	36	79	21
e.Private Employees	28	8	78	22
f.Entrepreneurs	41	1	98	2
g.Others	35	9	80	20
<b>Education Level</b>				
a.Elementary School	14	13	52	48
b.Junior High School	4	4	50	50
c.High School	77	14	85	15
d.Diploma holders	16	1	94	6
e.Bachelor holders	131	31	81	19
f.Master holders	28	6	82	18
g.PhD holders	4	2	67	33
<b>Income</b>				
a.Less than 2,5 million rupiah	93	30	76	24
b.Between 2,5 – 5 million rupiah	120	28	81	19
c.More than Rp 5 million rupiah	61	13	82	18
<b>Expenditure</b>				
a. Less than 1 million rupiah	46	13	78	22
b. More than 1 million rupiah	228	58	80	20

Source: Primary data, 2011 (processed)

It can be observed from the table that 20.8% of the respondents are not regularly paying alms. It also found that entrepreneurs group has been the group

that has the highest figure of alms payment, which reaches 98% of the respondents. It is followed consecutively by employees of the state-owned enterprises (91%), those working in other sectors including services sector (80%) and government civil servants (79%).

Furthermore, employees of the private sector (78%) and traders (76%) have lower figure of alms payment as compared to the government civil servants. Farmers are found to have the least percentage of alms payment (52%). It seems to be caused by relatively low income level which forces the farmers to fulfill their basic needs than paying alms, unlike the entrepreneurs who have excess of income that can be used to pay alms.

As for education level, diploma holders are found to have highest figure of those paying alms regularly. It reaches 94%. Those graduated from senior high school come to the second place (85%) followed by master holders (82%), bachelor holders (81%) and PhD holders (67%). At the bottom, it is observed that those graduated from junior high school have the least figure (50%) closely followed by those graduated from elementary school (52%).

As for monthly income variable, the respondents having income which exceeds 5 million rupiah are found to have the highest percentage of alms payment. The figure reaches 82 percent, which is closely followed by those having income between 2.5 until 5 million rupiah. In addition, those having income below 2.5 million rupiah are identified to have the lowest percentage (76%). It can be concluded, hence, that the higher the income level the bigger is the percentage of regular alms payment.

Similar findings also take place for the expenditure variable. The data shows that the respondents having more than a million rupiah of monthly expenditure have higher figure of regular alms payment (80%) as compared to those having below one million rupiah of monthly expenditure (78%). It indicates that the more the expenditure the more is the alms payment.

Generally, it can be concluded that unlike education level, types of job which yield high income level tend to influence one's regular alms payment. Likewise, income and expenditure variables have slight differences in the

percentage of alms payment. Therefore, different levels of income and expenditure are not significantly affecting one's alms payment.

#### **4.2.4. Characteristics of the Respondents based on Alms Payment Period**

Table 12 portrays specific data on alms payment period. The study aims at finding out period of alms payment of the respondents, which is classified into daily, weekly, monthly and others<sup>15</sup> categories. Period of alms payment is also studied from types of job, education, income and expenditure approaches.

Based on types of job, in general most of the respondents pay alms on monthly basis. The differences take place when specific types of job are observed. Table 12 depicts the fact that farmers and traders have irregular/uncertain period of alms payment. This seems to be caused by availability of the place of alms payment which still very rare and the level of their income which relatively low as compared to the others.

Other jobs comprising employees of state-own enterprises, employees of the private sector, government civil servants and other type of job are paying their alms on monthly basis. Based on the given table, it is found that employees of state-own enterprises occupy the highest figure (73%) followed by employees of the private sector (42%), other types of job (41%), government civil servants (37%) and entrepreneurs (31%). Awareness to pay alms regularly is a positive thing which must be increased in the future. Tendency to pay alms on monthly basis is also supported by the fact that most of the respondents receive their income on the same monthly basis.

As for education level, period of alms payment tends to follow education level. The higher the education level, the more regular is the frequency of alms payment. Exception is only on postgraduate holders group (master and PhD levels). In the elementary school and junior high school graduates, majority of respondents pay alms irregularly, which reaches 52% and 50%, respectively. Similar findings also occur in the PhD holders group whereas two-third of them (67%) pays alms on irregular basis. More than one-third of senior high school graduates (36%) and more than two-fifth of the bachelor degree holders (43%)

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<sup>15</sup> Others here mean irregular or uncertain alms payment.

pay their alms on monthly basis. Interestingly, diploma holders group is found to be only group whereas majority of respondents pay alms on weekly basis (41%). As for master degree holders, there is a balance percentage between weekly, monthly and irregular basis for alms payment, which reaches 29%.

**Table 12. Characteristics of the Respondents based on Alms Payment Period**

Variable	Alms Payment Period (N)				Alms Payment Period (%)			
	Daily	Weekly	Monthly	Other	Daily	Weekly	Monthly	Other
<b>Job</b>								
a.Farmers	0	9	2	12	0	39	9	52
b.Traders	6	4	3	8	29	19	14	38
c.State-Owned Enterprises Employees	1	1	8	1	9	9	73	9
d.Government Civil Servants	17	37	62	52	10	22	37	31
e.Private Employees	2	6	15	13	6	17	42	36
f.Entrepreneurs	9	11	13	9	21	26	31	21
g.Others	5	13	18	8	11	30	41	18
<b>Education Level</b>								
a.Elementary School	1	9	3	14	4	33	11	52
b.Junior High School	1	3	0	4	13	38	0	50
c.High School	15	20	33	23	16	22	36	25
d.Diploma holders	3	7	4	3	18	41	24	18
e.Bachelor holders	16	31	70	45	10	19	43	28
f.Master holders	4	10	10	10	12	29	29	29
g.PhD holders	0	1	1	4	0	17	17	67
<b>Income</b>								
a.Less than 2,5 million rupiah	13	29	47	34	11	24	38	28
b.Between 2,5 – 5 million rupiah	10	39	53	46	7	26	36	31
c.More than Rp 5 million rupiah	17	13	21	23	23	18	28	31
<b>Expenditure</b>								
a. Less than 1 million rupiah	6	17	24	12	10	29	41	20
b. More than 1 million rupiah	34	64	97	91	12	22	34	32

Source: Primary data, 2011 (processed)

Based on income variable, it is found that those having monthly income less than 2.5 million and between 2.5 until 5 million rupiah tend to pay alms on monthly basis. However, those having more than 5 million rupiah of monthly income tend to pay alms on irregular basis. It indicates that higher level of income does not necessarily in line with regularity of alms payment. It seems that high income people are not willing to pay alms on regular basis.

Interesting findings can be observed in the case of expenditure variable. Unlike income variable, both of the groups, which have expenditure of below Rp 1 million and above Rp Rp 1 million, tend to pay alms on monthly basis. The former has higher figure (41%) as compared to the latter (34%).

Generally, based on the findings above, it can be concluded that period of alms payment that is mostly chosen by the respondents is monthly basis. Monthly basis is selected by the respondents since most of them receive income on the same basis. Selection of alms payment period is not significantly affected by level of education, income and expenditure.

#### **4.2.5. Characteristics of Respondents based on Zakah Payment Period**

This section attempts to discuss the findings on characteristics of respondents based on the period of zakah payment. As depicted in the Table 13, the period of zakah payment comprises monthly basis, annual basis, irregular basis and both monthly and annual basis. Several respondents admit that they pay zakah on both monthly and annual basis for zakah of profession and zakah *al fitr*.

Based on the types of job, respondents in general pay zakah on annual basis, with exception on farmers and traders. Most of the farmers (39%) and traders (86%) choose to pay zakah on annual basis. Furthermore, majority of employees of the state-own enterprises and employees of private sector are also paying zakah on annual basis, closely followed by those who pay zakah on monthly basis. As for entrepreneurs group and other jobs group, majority of the respondents choose to pay zakah on annual basis.

**Table 13. Characteristics of Respondents based on Zakah Payment Period**

Variable	Zakah Payment Period (N)				Zakah Payment Period (%)			
	Monthly	Annual	Both	Irregular	Monthly	Annual	Both	Irregular
<b>Job</b>								
a.Farmers	9	7	0	7	39	30	0	30
b.Traders		18	2	1	0	86	10	5
c.State-Owned Enterprises Employees	5	6	0	0	45	55	0	0
d.Government Civil Servants	57	91	5	15	34	54	3	9
e.Private Employees	16	17	1	2	44	47	3	6
f.Entrepreneurs	8	26	2	6	19	62	5	14
g.Others	6	25	5	8	14	57	11	18
<b>Education Level</b>								
a.Elementary School	8	11	0	8	30	41	0	30
b.Junior High School	1	4	0	3	13	50	0	38
c.High School	22	55	5	9	24	60	5	10
d.Diploma holders	54	87	5	16	33	54	3	10
e.Bachelor holders	10	19	4	1	29	56	12	3
f.Master holders		6	0	0	0	100	0	0
g.PhD holders	6	8	1	2	35	47	6	12
<b>Income</b>								
a.Less than 2,5 million rupiah	43	59	3	18	35	48	2	15
b.Between 2,5 – 5 million rupiah	45	86	3	14	30	58	2	9
c.More than Rp 5 million rupiah	13	45	9	7	18	61	12	9
<b>Expenditure</b>								
a. Less than 1 million rupiah	19	30	2	8	32	51	3	14
b. More than 1 million rupiah	82	160	13	31	29	56	5	11

Source: Primary data, 2011 (processed)

In the variable of education, most of the respondents pay their zakah on annual basis. This seems to be caused by traditional behavior of the Muslims in

the country which conduct zakah payment annually. Yet, all PhD holders (100%) select annual basis as their period of zakah payment.

Similar findings can also be observed in the variables of income and expenditure, respectively. Majority of the respondents uses annual basis as their period of zakah payment. More than three-fifth of the respondents having income of more than Rp 5 million per month is found to be the highest figure as compared to those with income between 2.5 until 5 million (58%) and those with income below 2.5 million (48%). Likewise, on expenditure side, almost three-fifth of those having expenditure of more than 1 million rupiah per month is found to pay zakah on annual basis. This figure is higher than those having expenditure of less than 1 million rupiah per month whereas 51% of them pay zakah on annual basis. Hence, it is concluded that the higher the income and expenditure level, the higher is the tendency to pay zakah annually.

Given the findings above, conclusion that can be derived is annual zakah payment is the period which is mostly selected by majority of the respondents. It seems that they have combined zakah of maal and zakah al fitr obligation, which are conducted prior to implementation of Eid prayer. Unfortunately, the behavior of paying zakah of profession on monthly basis is still uncommon to the society.

#### **4.2.6. Characteristics of the Respondents based on Selection of the Place to Pay Zakah**

Selection of the place to pay zakah by the respondents either through formal amil institution or informal amil institution is depicted in the table 14. The table portrays relationship between variables of types of job, education, income and expenditure towards their decision to select the place to pay zakah (formal or informal). Formal amil institution is official and legal institution which manages collection and distribution of zakah. According to Zakah Management Act No 38/1999, this formal institution comprises Government Board of Zakah and Private Zakah Institution, which is legalized by government<sup>16</sup>. On the other

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<sup>16</sup> Government Board of Zakah is established by government at national, provincial, city/regency, and districts levels. At national level, the board is established by the President. As for private zakah institution, they are

hand, informal amil institution is an unofficial and not legal institution which has the same function, such as collecting and distributing zakah. Examples of informal amil institution are mosque management and paying zakah directly to mustahik (zakah recipients).

**Table 14. Characteristics of the Respondents based on Selection of the Place to Pay Zakah**

Variable	Place to Pay Zakah (N)		Place to Pay Zakah (%)	
	Formal Amil	Informal Amil	Formal Amil	Informal Amil
<b>Job</b>				
a.Farmers	6	17	26.09	73.91
b.Traders	1	20	4.76	95.24
c.State-Owned Enterprises Employees	4	7	36.36	63.64
d.Government Civil Servants	53	115	31.55	68.45
e.Private Employees	19	17	52.78	47.22
f.Entrepreneurs	8	34	19.05	80.95
g.Others	3	41	6.82	93.18
<b>Education Level</b>				
a.Elementary School	6	21	22.22	77.78
b.Junior High School	1	7	12.50	87.50
c.High School	12	79	13.19	86.81
d.Diploma holders	3	14	17.65	82.35
e.Bachelor holders	54	108	33.33	66.67
f.Master holders	15	19	44.12	55.88
g.PhD holders	3	3	50.00	50.00
<b>Income</b>				
a.Less than 2,5 million rupiah	41	82	33.33	66.67
b.Between 2,5 – 5 million rupiah	39	109	26.35	73.65
c.More than Rp 5 million rupiah	14	60	18.92	81.08
<b>Expenditure</b>				
a. Less than 1 million rupiah	36	23	61.02	38.98
b. More than 1 million rupiah	58	228	20.28	79.72

Source: Primary data, 2011 (processed)

also categorized at national, provincial and city/regency levels. They must be approved by respective government level in order to operate. For instance, national private zakah institution must be approved by Minister of Religious Affairs in order to operate at national level.

Based on the types of jobs, majority of respondents pay their zakah through informal amil institution. Traders group is found to be the group that has highest figure (95.24%) as compared to the other groups. There are only one-twentieth of the respondents of this group who pay zakah through formal amil institutions. This small figure is caused by far distance of formal institution from their stores or residence, tight activities of traders and easy access to informal institutions. Contrasted situation occurs on employees of the state-own enterprises and private sector, and government civil servants who pay their zakah through formal institutions of amil.

In the education variable, the highest percentage of the respondents paying zakah through formal institution is occupied by PhD holders. This indicates that higher level education will affect the willingness to pay zakah via formal institutions. Generally, majority of respondents are still paying zakah informally.

In the income variable, similar findings occur, i.e. majority of respondents have selected informal institutions of amil as their place to pay zakah. There is a tendency that higher income level tends to lead to lower payment made to formal institutions. The respondents tend to pay zakah to informal institutions or to both formal and informal institutions.

Furthermore, in the expenditure variable, more than three-fifth of the respondents having expenditure of below 1 million rupiah per month are found to pay zakah to informal institutions (61.02%). Higher figure, i.e. 79.72%, is found to take place in the group of respondents having expenditure of more than 1 million rupiah per month. It can be concluded, hence, that the higher the expenditure, the bigger is the tendency to pay zakah via informal institutions of amil. The studies also conclude that when they have higher expenditure level, the amount of zakah paid is less, and therefore, they feel shame to pay zakah to formal institution.

Table 14 also provides information that the role of formal amil institution needs to be improved. Absorption of zakah by this institution is still not optimum. The percentage of zakah payers of this institution is still less than those of informal institution. The studies found that distance to formal

institution offices becomes the main factor affecting the results. Even some of the respondents were unaware and had no information of the location of formal institution. Lack of socialization is another factor which must be taken into consideration. Hence, socialization must be top agenda of the formal institution in order to increase collection of zakah. People must also be convinced that zakah distribution programs of formal amil institutions have better impact to the zakah recipients compared to informal institution.

Another important step that can be conducted by formal institutions is by opening branch offices which can reach potential zakah payers. Cooperation with local mosque management and online services should also be strengthened. These methods are believed to be able to boost zakah collection.

#### **4.2.7. The Characteristic of Respondents by Its Reasons in Paying Alms**

Table 15 shows the reasons of people to or not to pay alms. The values that are presented in Table 15 are the average scores for each question (number 19-36) in the questioner. Those questions can be grouped into four factors, i.e. faith, altruism, self satisfaction and recognition. In general, the main reason of people in paying alms is simply as a routine activity. There are some reasons that support the argument of above statement. Firstly is faith. It can be shown that people who are paying alms are usually conducting five-times praying, believing that zakah is compulsory, counting their own zakah, often pray together in the mosque and routinely participating in recitation activity. Second argument is altruism. People who are paying alms are always be grateful to Allah, helping the poor, feeling pity to the poor condition, feeling guilty if not pay zakah or alms and believing that their wealth will be clean after they paying zakah or alms. The altruism shows the social sensitivity factor in paying alms.

Thirdly is self satisfaction. People's self satisfaction can be defined as the condition of being aware that there is rights of other people in our wealth, being happy of helping the poor and believe that conducting zakah or alms can be a role model for other people. Self satisfaction is the second important factor in determining the willingness of people to pay alms.

The last factor is recognition. The data suggests that recognition is not the determinant of the willingness of people to pay alms. As the recognition increase, people tend to refuse to pay alms. The recognition covers the post-condition after paying alms, whether the environment and people appreciating of what other people doing (pay alms). To sum up, respondent who are routinely pay alms has relatively higher level of faith, altruism, and self satisfaction. In contrast, recognition has a negative correlation with the willingness of people to pay alms.

**Table 15. The Characteristic of Respondents by Its Reasons in Paying Alms**

Variable	Alms	
	Yes	No
X <sub>1</sub>	4.76	4.59
X <sub>2</sub>	3.86	3.32
X <sub>3</sub>	4.72	4.52
X <sub>4</sub>	3.98	3.77
X <sub>5</sub>	3.78	3.18
X <sub>6</sub>	3.77	3.45
X <sub>7</sub>	4.60	4.62
X <sub>8</sub>	4.57	4.44
X <sub>9</sub>	4.32	4.28
X <sub>10</sub>	2.80	3.21
X <sub>11</sub>	4.41	4.24
X <sub>12</sub>	4.64	4.52
X <sub>13</sub>	4.40	4.24
X <sub>14</sub>	4.50	4.35
X <sub>15</sub>	4.41	4.32
X <sub>16</sub>	4.41	4.30
X <sub>17</sub>	4.61	4.49
X <sub>18</sub>	4.13	4.06
Faith	<b>4.21</b>	3.92
Recognition	3.90	3.98
Altruism	<b>4.47</b>	4.34
Self Satisfaction	<b>4.38</b>	4.28

Source: Primary data, 2011 (processed)

#### 4.2.8. The Characteristic of Respondents by Its Timing in Paying Zakah

Table 16 suggests the reasons of people to choose correct timing to pay zakah. There are four period options that are questioned, namely monthly, annual, both monthly and annual, and irregular. The result shows that the third option has the highest score. The factors (variable) that has been identified as the determinants are faith, recognition, altruism and self satisfaction.

**Table 16. The Characteristic of Respondents by Its Timing in Paying Zakah**

Variable	Zakah Payment Period			
	Monthly	Annual	Both	Irregular
X <sub>1</sub>	4.62	4.77	5.00	4.63
X <sub>2</sub>	3.71	3.83	3.93	3.34
X <sub>3</sub>	4.51	4.77	5.00	4.58
X <sub>4</sub>	3.87	4.05	4.33	3.39
X <sub>5</sub>	3.69	3.65	4.47	3.26
X <sub>6</sub>	3.61	3.76	3.87	3.58
X <sub>7</sub>	4.55	4.63	4.87	4.53
X <sub>8</sub>	4.54	4.55	4.60	4.55
X <sub>9</sub>	4.29	4.33	4.40	4.32
X <sub>10</sub>	3.06	2.81	3.13	2.66
X <sub>11</sub>	4.34	4.37	4.33	4.50
X <sub>13</sub>	4.40	4.33	4.40	4.50
X <sub>14</sub>	4.40	4.48	4.73	4.53
X <sub>15</sub>	4.39	4.38	4.73	4.37
X <sub>16</sub>	4.44	4.36	4.60	4.34
X <sub>17</sub>	4.55	4.57	5.00	4.55
X <sub>18</sub>	4.10	4.13	4.07	4.13
X <sub>20</sub>	3.81	3.71	3.47	3.18
X <sub>22</sub>	3.80	3.73	3.33	3.21
X <sub>23</sub>	3.52	3.38	3.60	2.92
X <sub>24</sub>	3.77	3.84	3.13	3.29
X <sub>25</sub>	3.39	3.18	3.07	3.00
Faith	4.08	4.21	<b>4.50</b>	3.90
Recognition	3.96	3.89	<b>4.04</b>	3.84
Altruism	4.41	4.44	<b>4.61</b>	4.49
Self Satisfaction	4.36	4.35	<b>4.56</b>	4.34
Organization	<b>3.76</b>	3.66	3.41	3.23

Source: Primary data, 2011 (processed)

The first factor –faith- consists of routinely conducting five-times praying, believing that zakah is compulsory, routinely participating in the reciting activities and believing in the life after deaths. The recognition factor consists of the post-condition after paying zakah such as the appreciation of people for those who pay zakah and being satisfied to be known as generous person. In terms of timing in paying zakah, the altruism factor is represented by the people activity to show their thankfulness to Allah, happily helping the poor, and feeling guilty if not pay zakah. The self satisfaction factor is showed by the satisfaction to improve the welfare of the poor and become the role model for other people.

In the more detail analysis, people who are willing to pay zakah monthly are strongly determined by organization factor. Most respondents agree that *Amil* (Institution that collect and distribute zakah) has a professional performance, transparant, and could provide pleasant and satisfied services. Most respondents in this group always pay zakah via Amil. Most of them are public servant or private workers who have direct payroll deduction system in their office.

To sum up, the results show that group of respondents that are paying their zakah and monthly and annual (third option) has a relatively higher level of faith, recognition, altruism and self satisfaction. However, other group of respondents that are paying their zakah only monthly is majorly determined by organization factor.

#### **4.2.9.The Characteristic of Respondents by Its Rationale in Choosing Place for Zakah Payment**

There are many places in which people could pay their zakah. In this analysis we divide type of places into two, namely formal *Amil* and informal *Amil* (vide Table 17). Group of respondents that are paying their zakah in formal Amil have several characteristics, hence: (1) they believe that zakah is compulsory; (2) they are routinely reciting religious books; (3) they are satisfied to be known as generous people; (4) they are always be grateful to Allah; (5) they believe that zakah could purify their wealth; (6) they are aware that there is rights of other people in their wealth; (7) they believe that *Amil* is transparent; (8) Amil provide

a relatively comfort and satisfaction services (9) They are satisfied with the performance of Amil; (10) Amil socialize their activities through electronic media or other mass media; (11) Amil directly socialize their activities to citizen; and (12) they have direct payroll deduction system in their office. Those variable above can be grouped into recognition, self satisfaction and organization factor. In general, group of respondents that are paying their zakah to the formal Amil has positive valuation on Amil. In other words, organization factor has a significant influence to the willingness of people to pay their zakah in formal Amil.

The second group of respondents is the one who pay their zakah in informal Amil. This group of respondents is substantially affected by faith and altruism factor. The major reason of paying zakah is the consideration of being satisfied to help poor people, feeling guilty if not pay zakah and being satisfied to improve the welfare of the poor. These means that they are more satisfied if could help the poor directly. Moreover, they are also believe that pay zakah in informal Amil is much faster and could give direct economic impact to the poor.

The results imply that quality improvement on management is significantly important not only for formal Amil but also informal Amil. Amil has to be able to deliver their services pleasantly, professionally and transparency becomes part of their activities. Informal Amil, such as The Management of Mosque (DKM) is also expected to be able to socialize zakah, inform the correct understanding of the religion. Therefore, the society will have good understanding of the important and the benefit of zakah and increase their participation in paying zakah.

**Table 17. The Characteristic of Respondents by Its Rationale in Choosing Place for Zakah Payment**

Variable	Place to Pay Zakah	
	Formal Amil	Informal Amil
X <sub>1</sub>	4.68	4.74
X <sub>2</sub>	3.70	3.77
X <sub>3</sub>	4.69	4.67
X <sub>4</sub>	3.85	3.97
X <sub>5</sub>	3.70	3.64
X <sub>6</sub>	3.66	3.72
X <sub>7</sub>	4.60	4.61
X <sub>8</sub>	4.54	4.54
X <sub>9</sub>	4.26	4.33
X <sub>10</sub>	3.03	2.83
X <sub>11</sub>	4.35	4.38
X <sub>12</sub>	4.70	4.58
X <sub>13</sub>	4.39	4.35
X <sub>14</sub>	4.40	4.50
X <sub>15</sub>	4.30	4.43
X <sub>16</sub>	4.33	4.40
X <sub>17</sub>	4.65	4.56
X <sub>18</sub>	4.12	4.12
X <sub>19</sub>	3.99	3.86
X <sub>20</sub>	3.76	3.63
X <sub>21</sub>	4.05	3.75
X <sub>22</sub>	3.84	3.62
X <sub>23</sub>	3.70	3.25
X <sub>24</sub>	3.86	3.68
X <sub>25</sub>	3.36	3.16
Faith	4.13	<b>4.16</b>
Recognition	<b>3.94</b>	3.90
Altruism	4.43	<b>4.45</b>
Self Satisfaction	<b>4.37</b>	4.36
Organization	<b>3.79</b>	3.56

Source: Primary data, 2011 (processed)

### 4.3. The Determinants of Respondents' Willingness to pay Zakah and Alms

#### 4.3.1. Willingness to Pay Alms

Alms is a sunnah worship and if it is routinely conducted, people will gain merit. In this section, we analyze the determinants that affect people willingness to pay alms routinely by using logistic regression. The dependent variable is one if people is routinely paying alms and zero otherwise. The logistic model is tested by using Hosmer and Lemeshow test and log likelihood. The testing results suggest that the model is statistically and econometrically satisfied. Here we only present the variables that are statistically significant (vide Table 18).

**Table 18. Determinants of Respondents' Willingness to pay Alms**

Variable	B	Sig.	Exp(B)
X <sub>1</sub>	0.286	0.327	1.332
X <sub>2</sub>	0.132	0.383	1.141
X <sub>3</sub>	0.383	0.182	1.467
X <sub>4</sub>	-0.214	0.192	0.807
<b>X<sub>5</sub></b>	<b>0.657</b>	<b>0.002</b>	<b>1.930</b>
X <sub>6</sub>	0.049	0.820	1.050
<b>X<sub>7</sub></b>	<b>-1.082</b>	<b>0.002</b>	<b>0.339</b>
<b>X<sub>8</sub></b>	<b>0.756</b>	<b>0.043</b>	<b>2.129</b>
X <sub>9</sub>	-0.373	0.162	0.688
X <sub>10</sub>	-0.125	0.275	0.883
X <sub>11</sub>	0.123	0.658	1.131
X <sub>12</sub>	-0.431	0.317	0.650
X <sub>13</sub>	0.086	0.729	1.090
<b>X<sub>14</sub></b>	<b>0.636</b>	<b>0.084</b>	<b>1.888</b>
X <sub>15</sub>	-0.316	0.283	0.729
X <sub>16</sub>	-0.143	0.637	0.867
X <sub>17</sub>	-0.106	0.764	0.899
X <sub>18</sub>	0.053	0.758	1.055
<b>X<sub>26</sub></b>	<b>0.263</b>	<b>0.057</b>	<b>1.300</b>
X <sub>27</sub>	0.088	0.394	1.092
X <sub>28</sub>	0.177	0.410	1.194
X <sub>29</sub>	0.122	0.360	1.130

Source: Primary data, 2011 (processed)

The results can be interpreted as below:

- $X_5$  has an odds ratio equal to 1.93. This means that the odds for respondents who are routinely reciting religious books are about 93% higher than those who are not, holding other factors at a fixed value. In other words, respondents who are routinely reciting religious books are more willing to pay alms.
- $X_7$  has an odds ratio equal to 0.339. This means that the odds for respondents who believe merit for all good things they made are about 66.1% lower than those who are not, holding other factors at a fixed value. In other words, respondents who believe merit for all good things they made are less likely to pay alms. This is contrary with Islam. Islam teaches that all things that we made in the world even as little as seeds will gain merit or punishment.
- $X_8$  has an odds ratio equal to 2.129. This means that the odds for respondents who believe that alms will give fortune to their lives are about 112.9% higher than those who are not, holding other factors at a fixed value. In other words, respondents who believe that alms will give fortune to their lives are more willing to pay alms.
- $X_{14}$  has an odds ratio equal to 1.888. This means that the odds for respondents who are happily helping the poor are about 88.8% higher than those who are not, holding other factors at a fixed value. In other words, respondents who are happily helping the poor are more willing to pay alms.
- $X_{26}$  has an odds ratio equal to 1.3. This means that a one unit increase in education, we expect about 30% increase in the odds of paying alms, holding other factors at a fixed value. In other words, as respondents' education increase, people are more willing to pay alms.

#### **4.3.2. The Period to Pay Alms**

In this sub chapter, we present the determinants of the period to pay alms. Alms is one of the highly recommended worship as cited in Quran (Al Baqarah: 261) which stated *"The example of those who spend their wealth in the way of*

*Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing".* In order to analyze the determinants the period to pay alms, logistic regression is applied. The dependent variable is one for respondents who are paying their alms weekly and zero otherwise.

The results suggest that there are only three variables that are statistically significant, hence: routinely reciting religious books, believing on the merit after pay alms and eager to be known as generous person (vide Table 19). Statistically and econometrically, the model has been tested by using Hosmer and Lemeshow test and log likelihood.

**Table 19. Determinants of Respondents' Period to pay Alms**

Variable	B	Sig.	Exp(B)
X <sub>1</sub>	-0.014	0.956	0.986
<b>X<sub>5</sub></b>	<b>0.315</b>	<b>0.058</b>	<b>1.370</b>
X <sub>6</sub>	-0.033	0.849	0.968
<b>X<sub>7</sub></b>	<b>-0.501</b>	<b>0.058</b>	<b>0.606</b>
X <sub>8</sub>	-0.211	0.457	0.810
X <sub>9</sub>	-0.154	0.378	0.858
<b>X<sub>10</sub></b>	<b>-0.156</b>	<b>0.071</b>	<b>0.855</b>
X <sub>11</sub>	0.119	0.602	1.127
X <sub>12</sub>	0.305	0.377	1.357
X <sub>13</sub>	0.080	0.701	1.083
X <sub>15</sub>	-0.114	0.599	0.892
X <sub>16</sub>	0.164	0.505	1.178
X <sub>17</sub>	0.134	0.646	1.144
X <sub>26</sub>	-0.032	0.758	0.969
X <sub>27</sub>	-0.005	0.948	0.995
X <sub>28</sub>	0.161	0.326	1.175
Constant	-0.492	0.709	0.612

Source: Primary data, 2011 (processed)

The detail interpretation of the variables can be found below (only variables that are statistically significant):

- X<sub>5</sub> has an odds ratio equal to 1.37. This means that the odds for respondents who are routinely reciting religious books are about 37% higher than those who are not, holding other factors at a fixed value. In other words,

respondents who are routinely reciting religious books are more willing to pay alms weekly.

- $X_7$  has an odds ratio equal to 0.606. This means that the odds for respondents who believe merit for all good things they made are about 39.4% lower than those who are not, holding other factors at a fixed value. In other words, respondents who believe merit for all good things they made are less likely to pay alms weekly.
- $X_{10}$  has an odds ratio equal to 0.855. This means that the odds for respondents who are eager to be known as generous person after alms are about 39.4% lower than those who are not, holding other factors at a fixed value. In other words, respondents who are eager to be known as generous person after alms are less likely to pay alms weekly.

#### **4.3.3. The Period to Pay Zakah**

Zakah is one of the compulsory worship for Moslem. Paying zakah will not impoverish people. People who pay zakah will gain happiness and fortune as a characteristic of the good Moslem. It is stated in Quran (Al Mu'minun: 1-4), hence "Certainly will the believers have succeeded; They who are during; their prayer humbly submissive; And they who turn away from ill speech; And they who are observant of zakah"

Similar with previous analysis, here we applied logistic regression. The dependent variable is one for respondents who are paying their zakah monthly and zero otherwise. The model has also been tested by using Hosmer and Lemeshow test and log likelihood.

**Table 20. Determinants of Respondents' Period to Pay Zakah**

Variable	B	Sig.	Exp(B)
X <sub>1</sub>	-0.149	0.599	0.862
X <sub>2</sub>	-0.163	0.233	0.850
<b>X<sub>3</sub></b>	<b>-0.975</b>	<b>0.001</b>	<b>0.377</b>
X <sub>4</sub>	-0.162	0.245	0.851
X <sub>5</sub>	0.085	0.666	1.089
X <sub>6</sub>	-0.010	0.958	0.990
X <sub>7</sub>	0.099	0.729	1.104
X <sub>8</sub>	0.372	0.226	1.450
X <sub>9</sub>	-0.018	0.927	0.982
X <sub>10</sub>	0.110	0.250	1.116
X <sub>11</sub>	0.227	0.390	1.255
X <sub>12</sub>	-0.616	0.104	0.540
<b>X<sub>13</sub></b>	<b>0.495</b>	<b>0.031</b>	<b>1.641</b>
X <sub>14</sub>	-0.176	0.589	0.838
X <sub>15</sub>	0.031	0.904	1.031
X <sub>16</sub>	0.181	0.487	1.199
X <sub>17</sub>	0.494	0.130	1.639
X <sub>18</sub>	-0.155	0.281	0.856
X <sub>19</sub>	0.228	0.259	1.257
X <sub>20</sub>	-0.181	0.314	0.835
X <sub>21</sub>	0.294	0.179	1.341
X <sub>22</sub>	-0.111	0.619	0.895
X <sub>23</sub>	-0.170	0.246	0.844
X <sub>24</sub>	-0.259	0.115	0.772
X <sub>25</sub>	0.062	0.575	1.064
X <sub>26</sub>	-0.042	0.694	0.959
X <sub>27</sub>	-0.051	0.549	0.950
<b>X<sub>28</sub></b>	<b>-0.570</b>	<b>0.002</b>	<b>0.565</b>
X <sub>29</sub>	-0.091	0.400	0.913
<b>X<sub>30</sub></b>	<b>-0.300</b>	<b>0.020</b>	<b>0.741</b>
Constant	4.212	0.010	67.461

Source: Primary data, 2011 (processed)

The detail interpretation of the variables can be found below (only variables that are statistically significant):

- X<sub>3</sub> has an odds ratio equal to 0.377. This means that the odds for respondents who believe that zakah is compulsory are about 62.3% lower than those who

are not, holding other factors at a fixed value. In other words, respondents who believe that zakah is compulsory are less likely to pay zakah monthly.

- $X_{13}$  has an odds ratio equal to 1.641. This means that the odds for respondents who believe that zakah will purify their asset (wealth) are about 64.1% higher than those who are not, holding other factors at a fixed value. In other words, respondents who believe that zakah will purify their asset (wealth) are more willing to pay zakah monthly.
- $X_{28}$  has an odds ratio equal to 0.565. This means that a one unit increase in income, we expect about 43.5% decrease in the odds of paying zakah monthly, holding other factors at a fixed value. In other words, as respondents' income increase, people are less likely to pay zakah monthly.
- $X_{30}$  has an odds ratio equal to 0.741. This means that a one unit increase in the frequency of alms payment, we expect about 25.9% decrease in the odds of paying zakah monthly, holding other factors at a fixed value. In other words, as respondents' frequency of alms payment increase, people are less likely to pay zakah monthly.

#### **4.3.4. Places of Zakah Payment**

As previously mentioned, zakah is a compulsory worship for Moslem. Zakah is distributed to eight group of receiver (mustahiq) as mentioned in Quran (At-Taubah:60). Zakah is paid periodically, hence monthly or annual. Currently, many Moslem still pay zakah directly to mustahiq or via the Management of Mosque in their neighbourhood. There is only few people who pay zakah via formal institution such as BAZ (Badan Amil Zakat) and LAZ (Lembaga Amil Zakat). Therefore, in this sub chapter we present the determinants of the decision of people in terms of places where they will pay their zakah. The model is estimated using logistic regression. The dependent variable is one if the respondent pay their zakah in formal institution and zero otherwise (vide Table 21).

**Table 21. Determinants of Respondents' Places of Zakah Payment**

Variable	B	Sig.	Exp(B)
X <sub>1</sub>	-0.317	0.269	0.728
X <sub>3</sub>	0.182	0.550	1.200
X <sub>5</sub>	0.044	0.796	1.044
X <sub>8</sub>	-0.330	0.282	0.719
X <sub>9</sub>	-0.103	0.602	0.902
X <sub>10</sub>	0.100	0.312	1.106
<b>X<sub>12</sub></b>	<b>0.726</b>	<b>0.074</b>	<b>2.066</b>
<b>X<sub>15</sub></b>	<b>-0.502</b>	<b>0.019</b>	<b>0.605</b>
X <sub>17</sub>	0.304	0.350	1.355
X <sub>19</sub>	-0.165	0.488	0.848
X <sub>20</sub>	-0.024	0.901	0.976
X <sub>21</sub>	0.369	0.127	1.446
X <sub>22</sub>	-0.074	0.757	0.928
<b>X<sub>23</sub></b>	<b>0.397</b>	<b>0.015</b>	<b>1.487</b>
X <sub>24</sub>	-0.079	0.650	0.924
X <sub>25</sub>	-0.026	0.826	0.975
<b>X<sub>26</sub></b>	<b>0.303</b>	<b>0.012</b>	<b>1.354</b>
<b>X<sub>27</sub></b>	<b>-0.260</b>	<b>0.016</b>	<b>0.771</b>
<b>X<sub>28</sub></b>	<b>-0.327</b>	<b>0.092</b>	<b>0.721</b>
X <sub>29</sub>	0.098	0.409	1.102
X <sub>30</sub>	-0.028	0.845	0.973
<b>X<sub>31</sub></b>	<b>-0.360</b>	<b>0.063</b>	<b>0.698</b>
Constant	-1.736	0.298	0.176

Source: Primary data, 2011 (processed)

The model has also been tested by using Hosmer and Lemeshow test and log likelihood. The detail interpretation of the variables can be found below (only variables that are statistically significant):

- X<sub>12</sub> has an odds ratio equal to 2.066. This means that the odds for respondents who are always be grateful to Allah are about 106.6% higher than those who are not, holding other factors at a fixed value. In other words, respondents who are always being grateful to Allah are more willing to pay zakah via formal institution (formal Amil).
- X<sub>15</sub> has an odds ratio equal to 0.605. This means that the odds for respondents who are feeling guilty if not paying zakah are about 39.5% lower than those

who are not, holding other factors at a fixed value. In other words, respondents who are feeling guilty if not paying zakah are less likely to pay zakah via formal institution (formal Amil).

- $X_{23}$  has an odds ratio equal to 1.487. This means that the odds for respondents who are agreed that Amil should conduct socialization in mass media and electronic media are about 48.7% higher than those who are not, holding other factors at a fixed value. In other words, respondents who are agreed that Amil should conduct socialization in mass media and electronic media are more willing to pay zakah via formal institution (formal Amil).
- $X_{26}$  has an odds ratio equal to 1.354. This means that a one unit increase in education level, we expect about 35.4% increase in the odds of paying zakah via formal institution (formal Amil), holding other factors at a fixed value. In other words, as respondents' education increase, people are more willing to pay zakah via formal institution (formal Amil).
- $X_{27}$  has an odds ratio equal to 0.771. This means that a one unit increase in jobs level, we expect about 22.9% decrease in the odds of paying zakah via formal institution (formal Amil), holding other factors at a fixed value. In other words, as respondents' jobs level increase, people are less likely to pay zakah via formal institution (formal Amil).
- $X_{28}$  has an odds ratio equal to 0.721. This means that a one unit increase in income level, we expect about 27.9% decrease in the odds of paying zakah via formal institution (formal Amil), holding other factors at a fixed value. In other words, as respondents' income level increase, people are less likely to pay zakah via formal institution (formal Amil).
- $X_{31}$  has an odds ratio equal to 0.698. This means that a one unit increase in frequency of zakah payment, we expect about 30.2% decrease in the odds of paying zakah via formal institution (formal Amil), holding other factors at a fixed value. In other words, as respondents' frequency of zakah payment increase, people are less likely to pay zakah via formal institution (formal Amil).

Therefore, in order to increase the value of zakah funding collection in formal institution, the institution has to improve their services and socialize their zakah services more intensively via mass media or electronic media. By doing these, people are expected much familiar with formal institution (formal Amil) and Amil could be an effective intermediary institution between muzaki and mustahiq.

The research findings suggest that most respondents are more likely pay their zakah in informal Amil. This imply that people are still have lower trust to formal Amil. As previously mentioned in the analysis, Amil is expected could collect all the zakah payment and distribute the fund to those who are needed in order to increase the welfare of the country. However, this ideal objective still cannot be achieved. There are many aspects that should be improved.

In this research, we also could identify the main problems why people are less likely to pay their zakah via formal Amil. First, the period of zakah payment is usually only on yearly basis (in the end of Ramadhan month). People pay their zakah via informal Amil or directly distribute to the mustahiq. Again, the argument of these is simply due to a lack of trust of formal Amil and lack of socialization from formal institution such as BAZ and LAZ.

Another problem is on the management of zakah in Indonesia. Eventhough the Law of zakah is already exist (Law No. 38 year 2009), monitoring from the government is substantially weak. Furthermore, other problems that are also identified are zakah collection is not well integrated across nation, lack of good socialization that could built people awareness to pay zakah, and the competition among formal Amil to collect the zakah fund. All of these together make the position of formal Amil become weak in the society. Consequently, people are more likely to pay their zakah via informal Amil or directly distributed.

Miftah (2008) argue that the management of zakah has to be improved and renewed. There are some aspects that are need to be considered. It is important to improve people understanding aspect, management aspect, law aspect and utilization aspect. People understanding aspect is the most important aspect among others. People understanding could change people behaviour. It is

important to emphasize that zakah is not only compulsory worship, but also part of muamalat aspect. Zakah should be considered not only from normative aspect, but also from history and philosophy.

Improvement on management is also important and urgently required. Management of zakah in formal Amil should be professional. In Indonesia, there are two types of formal Amil. Unfortunately, the differences and the position of these two formal Amil are still ambiguous. Their coverage of services is overlapping one to another. Profesionality could be achieved with better quality of human resources.

In terms of Law, it is also important to consider a new Law that rule the implementation of zakah management. This Law should satisfy three aspects, namely certainty aspect, recognition of previous Law and guarantee aspect (Miftah, 2008). The new Law has to include type of asset, nisab, percentages (the value of zakah that should be paid), punishment and the mechanism to collect and distribute the fund. The current Law is only focus on the small aspect of implementation.

Improvement on the utilization aspect is strongly related to the activities to distribute zakah fund. The main objective of zakah is to improve people welfare. However, the current form of zakah distribution is more likely to preserve the condition of poor people. The poor never has a chance to utilize the zakah fund that their got to improve their welfare. The main objective of current zakah distribution form is only to increase temporary consumption (short-term effect). It is necessary to formulate other form of zakah distribution that is productive for poor people. Zakah should be distributed as a working capital under the profit and loss sharing system. Consequently, it will increase job creation and improve people welfare.

Zakah management is not only always related to how much zakah fund have been collected but how the zakah fund have been distributed. The effectiveness of zakah management can be measured by the size of welfare impact within the targeted group. If people welfare increase after they get zakah fund, we can say that the management of zakah is already effective. However,

the effectiveness of formal Amil is not only depend on their professionalism but also the intervention of government (Prihatna, 2004).

## **5. THE CONCLUSION**

The zakah potential divulged in this study was the household, company, and savings zakah potential. The household zakah potential was calculated based upon the 2009 SUSENAS data from all 33 provinces in Indonesia using the rice nisab approach. The 2009 total household zakah potential using the rice nisab was 82.7 trillion rupiah. The company zakah potential is differentiated into two groups; the processing industry zakah potential and other industries' zakah potential. The company zakah was calculated based upon the 2006 economic census data. The 2006 total zakah potential from the processing industry and other industries was 114 trillion rupiah. If calculated from the BUMN earnings alone, the total zakah potential was 2.4 trillion rupiah.

The savings zakah potential based upon the groups of owners was: for BUMN and mixed government owned savings 1.2 trillion rupiah and for BUMN and BUMD, which are a part of government owned non-monetary institutions, owned savings 2.2 trillion rupiah. The bank group zakah potential for 2010 is divided into two groups, Persero banks and regional government owned banks. The calculations show that the Persero bank group's zakah potential was 13 trillion rupiah, whereas the regional government bank group's was 3 trillion rupiah. If only the zakah potential belonging to the third party, the sharia banks, is calculated, the 2009 zakah potential from wadiah giro was 155 billion rupiah and from mudharabah deposits 739 billion rupiah.

Thus, the total of all zakah potential in Indonesia from various sources, i.e. household earnings, company earnings, and savings, is approximately 217 trillion rupiah. This number is equal to 3.4% of Indonesia's 2010 GDP. If the processing industry and other industries' zakah potential are subtracted, Indonesia's total zakah potential is approximately 102 trillion rupiah.

The people's perception shows that most respondents still choose to have accounts in conventional banks. But the trend to have accounts in sharia banks shows an increasing trend for respondents with a higher education to open

accounts in sharia banks due to the heightened awareness. Most of the respondents surveyed, coming from various social backgrounds, claim that they have already paid their zakah. Only around 8.5% of the 345 respondents admit to not paying their zakah. The results of alms-paying routines analysis show that most of the respondents routinely pay alms; only 20.8% from the 345 respondents surveyed did not pay alms routinely. The alms-paying routine is still dominated by those who have large incomes and expenditures.

Most of the respondents pay their alms on a monthly basis. The monthly alms-paying is mostly done by the office workers such as BUMN employees, civil servants, and private company employees due to the fact that they receive their salaries once a month. Most respondents from various social backgrounds (different occupations, educational backgrounds, incomes, and expenditures) choose to pay their zakah on a yearly basis.

The place of choice for paying zakah in this study was the formal and informal amil zakah institutions. According to the calculations, approximately 755 of the respondents chose informal amil zakah institutions as the place to pay their zakah. But based upon the type of occupation, the private company employees, government and BUMN employees and the people with higher education chose to pay their zakah at formal amil zakah institutions.

The respondents' characteristics based upon their reason for paying alms, their zakah and alms paying periods and their choice of place to pay zakah were analyzed using the Likert scale. The people who pay alms tend to have a stronger faith, more altruism and higher self-appreciation. On the other hand, if the reward received is better, they tend to not pay their alms routinely. Generally, the respondents who pay zakah on both periods (monthly and annually) have a stronger faith, appreciation, altruism, and self-appreciation. The place of choice to pay the zakah/alms also affects the respondents' choice to pay the zakah on a monthly basis. The respondents who pay zakah to formal institutions have a good judgment of the organization's performance. But there is almost no significant difference between the perceptions of those who pay their zakah to formal or informal institutions.

The factors that influence the respondents in paying the zakah and alms were analyzed using the logistic regression method. The factor influencing their willingness to pay alms routinely are: they routinely read religious publications, they believe in divine rewards, they believe paying alms/zakah will help them in earning their livings, they find pleasure in helping the needy and they are well-educated. The significant variables that influence the choice of zakah paying period are income, alms-paying frequency, and belief that zakah is a must. The logistic regression analysis shows that the factors that influence the respondents choice in where to pay their zakah are education, occupation, income, zakah-paying frequency, the belief that paying the zakah and alms are a form of gratitude to Allah, guilt when they don't pay, the amil zakah institutions socialization efforts through mass media.

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