

**FACTORS AFFECTING BEHAVIOR OF PAYING
ZAKAT IN GREATER JAKARTA INDONESIA**

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**ASIA e UNIVERSITY
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**FACTORS AFFECTING BEHAVIOR OF PAYING
ZAKAT IN GREATER JAKARTA INDONESIA**

ANTON HINDARDJO

**A Thesis Submitted to Asia e University in
Fulfilment of the Requirements for the
Degree of Doctor of Philosophy**

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ABSTRACT

There is a significant disparity between the potential for zakat and zakat collected in Indonesia. This gap is caused by a lack of public understanding of the obligation to pay zakat, lack of trust in zakat institutions, lack of socialization of zakat, and lack of acceptance and use of optimal zakat payment technology. The main objective of this study is to identify the factors that influence the intention and behavior of tithe. Individual factors, acceptance and use of technology, integrated marketing communications, and good zakat institution governance are all included as independent variables in this study. Purposive sampling was used to collect samples of obligatory zakat with certain conditions, resulting in 400 respondents. The research findings show that individual factors derived from the theory of planned behavior, as well as good corporate governance from zakat institutions, have a significant influence on the intention to pay zakat. While the acceptance and use of integrated marketing communication technology has no significant effect. This study adds a model of planned behavior in paying zakat in Indonesia. Consequently, the methodological significance of this study will provide new insights into the specification of the model.

Keyword: *Theory of Planned Behaviour, acceptance and use of technology, Integrated Marketing Communications, good Corporate governance, intention to pay, behaviour.*

APPROVAL

I certify that I have supervised / read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfillment of the requirements for the degree of Doctor of Philosophy.

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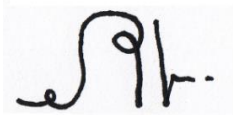
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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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A handwritten signature in black ink, appearing to be 'Anton Hindardjo', written on a light-colored background.

Signature of Candidate:

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LIST OF ABBREVIATIONS

TRB	Theory Reasoned Behavior
PBC	Perceived Behavioral Control
UTAUT	Unified Theory of Acceptance and Use of Technology
TAM	Technology Acceptance Model
JABODETABEK	Jakarta, Bogot, Depok, Tangerang, Bekasi
BAZ	Badan Amil Zakat
LAZ	Lembaga Amil Zakat
BAZNAS	Badan Amil Zakat Nasional

CHAPTER 1.0 INTRODUCTION

1.1 Background of the Study

The potential zakat of the Indonesian people according to the results of PIRAC research by surveying ten major city areas in the provinces of the Republic of Indonesia shows the potential zakat potential of the average zakat payer of IDR 690.104,73 in 2007. This data shows an increase compared to 2004, which is IDR 419.360,82 per zakat payer (Abidin & Kurniawati, 2007).

Another study was conducted by PEBS-FEUI (2011) based on the assumptions that 95% of Indonesia's total population is Muslim. The results of the forecast or projection of potential zakat collection reached IDR. 12.7 trillion in 2009. Furthermore, in 2011 the results of research conducted by Firdaus & Beik (2011) showed that zakat's potential was 3.4% of Indonesia's total Gross Domestic Product. Then it can be calculated with the prediction of the potential zakat of IDR. 217 trillion. Research conducted in 2018 by the National Zakat Agency, known as Badan Amil Zakat Nasional (BAZNAS), predicts that the potential for zakat has reached IDR. 286 trillion. However, the research results described above technically have not yet been seen from the collection of zakat (BAZNAS, 2018).

These results mean that there is a very high gap between potential and reality of accumulation. Judging from the actual data, collection in 2016 the amount of zakat, donation and alms carried out by official zakat collection organisations, and zakat collection only reached the actual target of 5 trillion rupiahs. This result means that the collection's realisation is still quite far from potential (BAZNAS, 2018).

This gap is influenced by several factors, including:

1. Low awareness of obligatory zakat (muzakki), low trust in BAZNAS and LAZ, and muzakki behavior that is still short-term, decentralized, and individual. As a result of this statement, the communities should re-strengthen their understanding of zakat. The main reason for the low turnover of zakat funds is the lack of knowledge about zakat; in particular, some people only understand zakat fitrah issued during the month of Ramadan. The type and the purpose of zakat are two critical aspects that must be educated to the public.
2. A lack of government supports to be proactive in carrying out the mandate of Zakat Law Act 23/2011. The government's task should not only providing services and create conducive conditions but also be a firmness addressed to unofficial zakat institutions to obey the law. Similar to muzakki, the government should emphasize the entrustment of zakat payments through official zakat institutions to realize Indonesian economic development through zakat.
3. The excavated zakat is still based solely on two types of zakat objects: zakat fitrah and zakat profession/income. There are many zakat objects and subjects that have yet to be explored, so there is still a gap between the realization and potential of zakat. The assets of livestock and plantations are among the most unexplored topics in the context of Indonesia. Similarly, due to current development, zakat e-commerce, financial technology (fin-tech), and other new things should be a concern of zakat management.
4. Inadequate incentives for zakat obligation to pay zakat, particularly about zakat as a tax deduction. As a result, the zakat obligation is not subject to a double burden (Indonesian Economic Prospects 2010).

According to research conducted by Uzaifah (2010), one of the causes for the low realisation of zakat collection is still far from potential is zakat payer's dissatisfaction in using the services of the Zakat Agency, known as Badan Amil Zakat (BAZ), as a place to pay zakat. This research has led to a pattern of behaviour in carrying out zakat individually, including seeking zakat distribution or seeking mustahiq in a personal way. Based on the research results, 44% of muzakki chose to channel their zakat individually. According to the findings of this study, there is still public trust in zakat institutions that are regarded as weak and unprofessional. In some areas, some zakat institutions only accept quotations and do not engage in active and progressive movements. As a result, it is critical to organize the position of zakat institutions, both government and non-governmental, to maximize the role of strengthening institutional management.

Several factors cause the gap in the collection of zakat. First, people are still accustomed to paying zakat directly through ulama and mosque administrators who usually do not have records. This practice has been going on for a long time until 1999 when Law 38 on Zakat Management was first enacted. "The practice of distributing zakat through the Amil Zakat institution has now changed." Second, people are still not too familiar with the Baznas institution so that Muslims choose to distribute their zakat directly. Individual zakat is not distributed and donated directly according to the principles of equality, justice, and territory. "Meanwhile, institutions can be even better, starting from socialization, collecting zakat from muzakki, distributing zakat to mustahik and also human resources capacity (ekonomi.bisnis.com, 2015)

Professional zakat was developed in Indonesia by the Indonesian Ulema Council (MUI), in 2003. There is a substantial difference between the potential of zakat and its implementation. The result came to IDR 302.991.843.948.525,38 while

the fundraising was much lower. The Zakat Management Organization (OPZ) has not been able to encourage the community, or has influenced people who do not issue zakat through the National Amil Zakat Agency or the Amil Zakat Institution (Aldila, 2021). The data for the study of Indonesian Zakat in 2021 reached IDR 330.867.093.591.819,88 the potential for Indonesian zakat. This amount consists of Corporate Zakat (IDR 146.233.963.617.684,59), income and service zakat (IDR 140.456.919.126.421,02), money zakat (IDR 59.346.002.501.402,38), agricultural zakat (IDR 19.987.361.972.471,41), and livestock zakat (IDR 9.614.917.177.524,14). While only IDR 72.112.058.859.742,86 realized (BAZNAS, Outlook Zakat Indonesia, 2020).

However, until now, there are still many people who do not understand this professional zakat. Therefore, people pay more zakat mal once a year, according to the *nishab* (minimum amount that a Muslim must have before being obliged to give zakat). The realization of zakat is not as big as the potential of zakat, especially Muslims who work in the service sector, not in agriculture. Therefore, it is necessary to conduct more in-depth research on the factors that influence the awareness of zakat obligation in paying zakat (Huda & Ghofur, 2016).

Some previous research has been conducted on the factors that influence muzakki in paying zakat. The theory used by previous research was conducted to determine whether paying zakat is about consumer behaviour. The theory is the theory planned behaviour (TPB) developed by Fishbein & Ajzen (1975) and the consumer behaviour model developed by Assael (2011).

The behaviour of zakat payers in carrying out their donating obligations cannot be separated from individual influence. A study conducted by Fishbein & Ajzen (1975) and Al Jaffri Saad & Haniffa (2014) revealed that subjective norms are an essential

part of reasoned action theory. Ajzen (2012) explains that the central factor of individual behaviour is that the behaviour is influenced by the individual's intention (behaviour intention) towards this particular behaviour. The main factor of behaviour displayed by an individual is the individual's intention to display particular behaviour.

Previous studies by Treiblmaier & Pollach (2007), Smith & McSweeney (2007), Mejova, Garimella, Weber, & Dougal (2014), Knowles, Hyde, & White (2012), Awan & Hameed, (2014) and Setianagara (2019) research social behaviour that discusses the desire to donate online and offline. Likewise, people's behaviour is determined by their intention (van der Linden, 2011). Meanwhile, the theory of planned behaviour states that there are determinants of intention, namely attitudes, subjective norms and perceived behavioural control (Ajzen, 2005). As a result, behavioural intentions are influenced by these three factors, including attitudes, subjective norms and perceived behavioural control (Smith & McSweeney, 2007). Attitudes towards zakat compliance formed from the results of experience and knowledge will shape individuals' intention to behave obediently or disobediently to zakat payment obligations. However, this desire can change due to the influence of the social environment around the individual. Previous research conducted in various fields found that subjective norms have a significant influence on influencing individual desires.

In predicting a person's intention, Smith & McSweeney (2007) presented a revised theory of planned behaviour, in a study using 227 samples in Queensland, Australia. The revised theory results reveal that attitudes influence intentions, perceived behavioural control, subjective norms consisting of three, namely injunctive norms, descriptive norms, moral norms, and past behaviour. In the analysis of research results, it has been proven that attitudes, perceived behavioural control, injunctive

norms, moral norms and past behaviour affect intentions, but descriptive norms do not influence intentions.

In research conducted by Smith and McSweeney (2007), it is stated that there is a tendency to donate to individuals who have positive attitudes towards behaviour. Also, there is a tendency to donate to individuals who believe that other people will approve of the behaviour (subjective norms) and believe that they control behaviour (perceived behavioural control). This research was developed again by Smith and McSweeney (2007) in a planned behaviour theory by adding a variable past behaviour. This variable is a crucial factor in pro-social behaviour, including giving charity or donating. Past behaviour in this study is the experience of donating, which is a person's past behaviour in donating money.

Furthermore, van der Linden (2011) also researched the intention to donate, which is influenced by six social psychology variables from the revised theory of planned behaviour. These variables are moral norms, prescriptive norms, descriptive norms, attitudes, perceived behavioural control and past behaviour. In research conducted online, 143 respondents consisted of 81 women and 62 men. The results of these studies indicate that descriptive norms and perspective norms do not affect intention. Meanwhile, in this study, norms and perceived behavior control, including the intention to give zakat, are important factors for donation.

In line with Knowles, Hyde, and White (2012) 's research on the intention to donate, studies have shown that attitude, perceived behavioural control, moral obligation and past behaviour significantly affect intention to donate, while subjective norms have no significant effect. This result is due to a positive or beneficial attitude towards perceived control. Also, the existence of a moral obligation to donate and past behaviour in donating has a firm intention to donate money in the future. This study

uses the revised theory of planned behaviour and is influenced by attitudinal factors, subjective norms, perceived behavioural control (PBC), moral obligation and past behaviour on a Likert scale. The questionnaire items used are based on Zhao, Lynch, & Chen (2010) to 210 samples in Australia.

In more detail, Kim & Han (2020) researched the factors influencing a person's intention to donate. These factors include moral obligations, similarity to organizational goals, the experience of a donation, perceived trust and opportunism, and demographic factors such as gender, age, income and education. His research involved 304 samples consisting of 126 men and 178 women who were distributed online. The results showed that the factors that influenced the intention to donate included similarities with organizational goals, the experience of donation, trustworthiness, and opportunism.

In contrast, moral obligation did not significantly influence donating money. Mejova et al. (2014) researched four main factors in donation behaviour (donating): demographics, interests, social networks and external factors. The sample is internet users who have received emails from each of the different charity organizations as many as 10,000 samples. The results showed that demographics, interests, social networks and external factors could significantly affect donating behaviour.

This research was also conducted by Awan dan Hameed (2014) on the influence of demographic, socio-economic factors, perceived generosity, perceived financial, religion, individual attitude toward charities, fundraising campaigns, and trust on donations. This study uses an adaptation from the Charity Aid Foundation involving 650 samples. From the results of his research, it was found that age's demographic factors had a significant effect on donating. Gender does not have a significant effect. The socio-economy in income and education also has a significant

effect on donating. Perceived generosity, perceived financial, religion, individual attitude toward charities, fundraising campaigns, and trusts also significantly affect donating.

Another study was conducted by Hur (2006), which examined the motivational factors in charity giving. The motivation factor consists of six dimensions, namely goodness, desire for the common good, altruism, mass psychology, expecting a reward and the desire for social responsibility. The sample used 439 samples using adaptation measurements of motivation factors and using a Likert scale. The results showed that kindness, altruism, mass psychology and expecting a reward significantly affected giving charity. Simultaneously, the desire for social responsibility and the common good's desire did not significantly influence it.

Previous studies on the intention to donate, use terms to describe the behaviour of donating are not uniform, for example; charitable giving is used by Mayo & Tinsley (2009); Leslie, Snyder, & Glomb (2012); Smith & Schwarz (2012); Hur (2006); Hou, Eason, & Zhang, (2014). Furthermore, the term charity is used by Kraut, (1973); Moely, Furco, & Reed (2008). Meanwhile, Awan and Hameed (2014); Knowles, Hyde, White (2012); Beldad, Snip, & Hoof (2012); and Mejova, Weber, Garimella, Dougal (2014) use the term donation behaviour. The behavior of the donation is supposed to be the same as the conduct of the zakat payment.

Smith dan McSweeney (2007) and Xie, Lu, & Zhang (2020) use the term donation, which in Indonesian means donating money to charities or community service organizations. Donating is considered an essential humanistic phenomenon because it is encouraged in society and plays a vital role in increasing individuals' living standards (Setianagara 2019). Every day, thousands of people help or donations for humanity, politics, the environment, and other things (Heukelom, 2010).

Donating to charity is a manifestation of an attitude of life in the desire to help unconditionally. To cultivate and improve social attitudes and give such as donating money, should not be forced, emphasising self-awareness, including awareness based on self-processing results (Chae, 2020).

A person's donation behaviour is influenced by demographic factors such as age, gender, income, and education (Awan dan Hameed 2014). Age and gender have a significant effect on donating. According to Shelley & Polonsky (2002), women are more influential in giving donations than men. Furthermore, the socio-economy in income and education also has a significant effect on donating. Individuals with higher incomes and higher education are more likely to donate (Awan dan Hameed 2014).

Apart from individual factors, the behaviour of donating is also driven by technological developments. In the rapidly developing information and communication technology era, donations have become easier through online payment systems. On the other hand, technological developments and the use of technology are inversely proportional to zakat. This phenomenon can be seen in the last few years. Current technological developments have entered and become an inseparable part of everyday human life (Garcia & Bechkoff, 2009).

Digital development, especially in the economic sector, continues to innovate and develop to face global economic competition and efforts to build a halal ecosystem and support community economic empowerment (Ansori, 2016). Developments in financial sector technology or we are often familiar with financial technology. Financial technology is a technology-based service that has innovated new, providing current financial services and leaving traditional financial methods (Lin, 2015). Since the emergence of financial technology in Indonesia, it continues to develop every year and increase. As of April 30, 2020, the total number of financial technology companies

in Indonesia registered and licensed with the OJK is 161 financial technology companies (OJK, 2019). Furthermore, 38 financial technology companies have received official licenses from Bank Indonesia (BI, 2020). With Indonesian financial technology company players dominated by payment (43%), loans (17%), and the rest are in the form of aggregator, crowdfunding and other services (Hadad, 2017).

In the last five years, the use of information and communication technology in Indonesia has shown rapid development. The number of people who use digital technology services continues to experience development until 2018 technology users in Indonesia reached 62.41%. The use of the internet network also experienced an increase in users in the 2014-2018 period. In 2014 the number of people who accessed the internet in 2014 was around 17.14%. Then in 2018, internet users increased to 39.90%. There was an increase in the population aged upper five years who had accessed the internet in the last three months. The percentage increase was initially 17.14%. Then it increased to 39.90% in 2018 (BPS, 2020).

Based on the fact that the development of the high use of technology in society and financial technology is increasingly showing the existence and importance of technology in all aspects. No exception in terms of managing zakat fund collection. Zakat collection innovation has now shifted following the times, namely through digital financial technology service media (Zaimah, 2017).

Current technological innovations occur in the mainstream financial sector and in the public and non-financial sectors such as zakat institutions to ensure successful financial inclusion (Hasif & Ahmad, 2019). The reason is to build zakat payment mobilization with technology, which is expected to increase zakat acceptance in various regions in Indonesia, both extrinsically and intrinsically (Senthe, 2012). We can see this in the Indonesian people's lifestyle slowly involving all activities using

technology in their daily activities. Hence, BAZNAS, as the official government institution in managing zakat, pays attention to collecting zakat digitally through financial technology. The digital era and the industrial revolution 4.0, which are very dependent on the internet need to evaluate the zakat fundraising strategy to address the gap between the potential and the achievement of zakat collection.

According to Abdelkader (2017), utilizing financial technology for ZIS (Zakat, Infaq and Shadaqoh) management is an innovation that dramatically increases the receipt and distribution of zakat. Implementing 34 technologies using financial technology applications can improve performance and help zakat management reach the wider community (Razimi, Romle, & Erdris, 2016). Rachman & Salam (2018) also argue that financial technology as a medium used to implement technology-based financial services can be a great foundation to increase the efficiency and effectiveness of zakat. A zakat management system integrated with financial technology that has been developed needs innovation to continue to be developed. The sophistication of a technology that is currently developing makes it easier for everything to increase work efficiency. All work done digitally can provide savings in time, space, energy, cost and many others, supporting modernization and innovation (Mukhtar & Ahmad, 2010). The financial technology ecosystem allows growth opportunities for many sectors, including the payment sector (Diemers, 2015). Other findings in India show that innovations such as ATMs, mobile applications, financial technology, applications made with blockchain technology, artificial intelligence and big data can also play an essential role in the effective management of zakat in India (Muneez & Nadwi, 2019).

The rapid growth of internet use in Indonesia shows that most Indonesian society is connected to the internet, where the internet has become an essential part of human life today. People can easily carry out their activities with the help of the