

Unveiling Zakat Decision: Exploring the Role of Religiosity, Moral Reasoning, Peer Influence, and System Fairness in Shaping Institutional Trust and Customer Zakat Intentions

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***Abstract:** Zakat is an Islam instrument used to help alleviate poverty and improve community welfare. Even though the potential of this instrument in Indonesia is very large, the income is still very low due to the lack of trust known as Muzakki (zakat payer). Therefore, this research aimed to explore the factors that influence Muzakki in zakat institutions and the provision intention. Data collected from a survey of 207 valid observations was validated using the partial least squares structural equation modeling (PLS-SEM) to examine the variables and examine the predictive relevance of the model. The results showed that peer influence and system fairness influence trust institutions, while zakat institution can improve fairness and transparency for Zakat recipients. Furthermore, to enhance the trust of Muzakki, marketers need to employ strategies to influence a group of individual to ensure customers are inclined to trust the zakat institution.*

***Keywords:** zakat; religiosity; zakat optimization, trust institution, zakat intention*

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INTRODUCTION

Poverty is a serious global issue, particularly in Indonesia, with 24.79 million poor individual in 2019, which increased recently to 26.42 million (1). One of the efforts adopted to eradicate poverty in the country is Muzakki. This Islamic economic instrument played a significant role in the reduction process. Financially capable Muslims were promoted to help those in need (Kashif & Jamal, 2016). The distribution of zakat inspired the Mustahik (zakat recipients) to become economically productive, while actively participating in poverty eradication schemes (Djaghballou et al., 2018).

In East Java, the potential of zakat amounted to IDR 233.84 trillion, which ranked first and second nationally in several categories but still ranked extremely

low (BAZNAS, 2020). According to BAZNAS (2020), the zakat collection realized in 2018 was IDR 8.2 trillion of the total potential of IDR 233 trillion, representing only 3.4%. This poses a serious problem that needs to be addressed, considering the significant role of zakat in the economy, especially in poverty eradication.

The main factor contributing to the suboptimal realization of zakat potential is the existence of trust issues among Mustahik. Lack of customer trust in zakat institutions, rendered the collection ineffective (Kashif et al., 2018). In addition, Kashif et al. (2018) stated that individual barely trusted formal institutions, preferring to pay personally. Many customers directly gave alms to the needy rather than through zakat institutions (Bin-Nashwan et al., 2020). Therefore, this led to the need to identify factors that can increase customer trust in zakat institutions to achieve optimal collection.

Preliminary research focused on the theories of planned behavior (Andam & Osman, 2019; Bin-Nashwan et al., 2021), and reasoned action (Bidin et al., 2009), in relation to the management of zakat institutions (1–3). However, factors influencing customer trust in related institutions, were rarely investigated. The development of consumer trust determined the success of zakat collection. Moreover, the relevant models are limited as it does not account for differences in context and individual cognition. Understanding the comprehensive factors influencing zakat decisions and trust is crucial. This research examined the variables religiosity, moral reasoning, peer influence, and system fairness, which aided in comprehensively understanding individual behavioral factors. Furthermore, the investigation aimed to test the factors influencing donor intention, with the hoped of developing trust and, consequently, improving zakat collection.

HYPOTHESES DEVELOPMENT

Religiosity

Intrinsic motivation, such as religious values, had been proven to be a crucial factor in prompting individual to engage in benevolent activities (Bin-Nashwan et al., 2021). Ali et al., (2020), defined religiosity as behavioral impulses based on religious values. Institutional trust is the consumer willingness to embrace vulnerability with the expectation and belief that the zakat institution is reliable (Drake and Furner, 2020). Additionally, trust can be defined as the belief that a specific party is reliable and acts in accordance with the promises made by another. This is based on the expectation that the initial party assumes actions important to the consumer, regardless of the ability to be monitored or controlled by another entity (Hou et al., 2018). In the nonprofit context, consumer trust has a significant influence on voluntary behavior, serving as a prerequisite for earning support and institutional trust (Schultz et al., 2019).

Based on social exchange theory, the connection between Muzakki (zakat payers) and zakat institutions relied on reciprocal relationships (Bin-Nashwan et al., 2021). In the context of zakat, Muslims with high religiosity completely rely on institutions entrusted with religious obligation (Kashif et al., 2018). Therefore, the following hypothesis was proposed

H1: Religiosity influences customer trust (donors) in zakat institutions.

Moral reasoning

Humans engage in moral reasoning and judgments through social relationships (Bin-Nashwan et al., 2021). Moral reasoning is how individual think about right and wrong, as well as the acquisition and application of moral rules (Kohlberg, 1969). Furthermore, an individual develops moral knowledge and a sense of justice through interactions with the community (Passini, 2010). This is also relevant to customer trust in zakat institutions. For example, the more consumers are of the notion that a zakat institution collects and distributes alms fairly, the greater the trust.

This finding is in line with the research by Lisi (2015), which stated moral reasoning has a positive effect on the compliance level of an individual in paying zakat due to trust in the institution. Therefore, the following hypothesis was proposed

H2: Moral reasoning influences customer trust (donors) in zakat institutions.

Peer Influence

Peer influence is defined as instances where an individual affects or is affected by a group or others within the same age range leading to the altering of certain behaviors, values, and attitudes (Bobek et al., 2013). The individual pays attention to the judgments of peers or the environment. Based on social pressure, Muzakki are susceptible to the influence of peers, families, or relatives, and religious leaders in selecting the institution to channel the zakat (Andam and Osman, 2019; Jimenez and Iyer, 2016). Therefore, the following hypothesis was proposed

H3: Peer influence affects customer trust (donors) in zakat institutions.

System fairness

System fairness is the perception that an individual has regarding the just operation of an organization (Thurston and McNall, 2010). In this context, this variable refers to the perception of a customer (donor) regarding the system implemented by a zakat institution in meeting various aspects of justice. System fairness influences the donor to make contributions because in Islam, it is obligatory to uphold justice (Bin-Nashwan et al., 2021). Assuming a zakat institution is incapable of justice and fairness, donors will find it unreliable, and consequently, fail to make contribution through that institution. This is in line with several previous research, which stated system fairness has a positive influence on donor trust, and the intention to pay through those institutions (Bin-Nashwan et al., 2020, Musimenta et al., 2017). Therefore, the following hypothesis was proposed

H4: System fairness influences customer trust (donors) in zakat institutions.

Trust institution

Trust is the belief that a particular party can be relied on, including acting in accordance with the promises made by another based on the expectation to behave fairly and fulfill what was promised (Hou et al., 2018). Institutional trust refers to the belief in a reliable zakat institution that fulfills customer expectations (Mustafa

et al., 2013). According to Schultz et al., (2019), trust is a strong variable in reducing perceived risk. A zakat institution is an organization responsible for collecting zakat from donors. Therefore, it is expected to effectively manage and distribute zakat (Kashif et al., 2018). When donors believe that a particular institution is reliable in managing and distributing zakat, the individual would produce immense contributions, and vice versa. Therefore, the following hypothesis was proposed

H5: Institutional trust influences customer trust (donors) in zakat institutions.

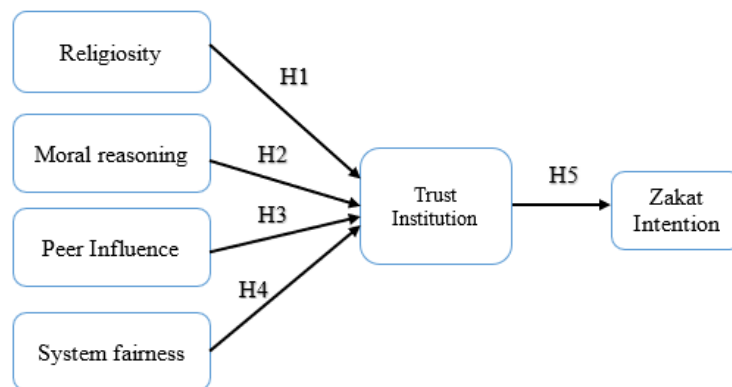


Figure 1. Research Framework

RESEARCH METHODS

The research adopted a quantitative method, including descriptive assessment using formal measurements, such as questionnaires, designed as subjects for statistical analysis (Stangor, 2010). The research population comprised Muslims aged 17 years and above, who are entitled to the payment of zakat. Non-probability and purposive random sampling methods, were adopted. The minimum size for SEM usage is between 100 to 200 samples (Hair et al., 2014).

The survey included the distribution of questionnaires with closed-ended questions, measured using a Likert scale ranging from strongly disagree (1) to strongly agree (5). The measurements for religiosity, moral reasoning, peer influence, and system fairness were in line with previous research (Bin-Nashwan et al. 2021). Trust institution and zakat intention comprised three items and five items, respectively (Bin-Nashwan et al. 2022; Ur Rehman et al. 2021).

The data collection realized through direct and indirect face-to-face meetings, was carried out in 2023. Google form containing predetermined question items were distributed, and measured using a 1 to 5 Likert scale from strongly disagree (1) to strongly agree (5). Before distributing the questionnaires, respondents were asked to willingly fill out the forms containing questions focusing on the variables and demographic information.

Data analysis using SEM-PLS focused on the information provided by the 207 respondents. The SEM-PLS was selected because it can be used to test the effect, and the minimum usage is 100 to 200 samples (Hair et al., 2014). The

information obtained from distributing questionnaires to samples that met the criteria was used for hypothesis testing.

RESULTS AND DISCUSSION

Validity and Reliability Test

Table 1 shows that the indicators of each variable were > 0.6 , and therefore declared valid. Additionally, each variable had Cronbach alpha > 0.7 , and was declared reliable.

Table 1: Validity and Reliability Test

No.	Variables and indicators	<i>Outer loading</i>	<i>Cronbach Alpha</i>
1	<i>Religiosity</i>		
	R1	0,675	0.774
	R2	0,751	
	R3	0,782	
	R4	0,747	
	R5	0,804	
2	<i>Moral Reasoning</i>		
	MR1	0,865	0.856
	MR2	0,886	
	MR3	0,890	
3	<i>Peer Influence</i>		
	Pin1	0,793	0.799
	Pin2	0,877	
	Pin3	0,860	
4	<i>System Fairness</i>		
	SF1	0,841	0.870
	SF2	0,877	
	SF3	0,850	
	SF4	0,822	
5	<i>Trust Institution</i>		
	TI1	0,858	0.892
	TI2	0,883	

	TI3	0,878	
	TI4	0,855	
6	<i>Zakat Intention</i>		
	ZI1	0,922	0.892
	ZI2	0,884	
	ZI3	0,913	

Hypotheses Testing

The results of the hypothesis test can be seen in table 2. Based on the results, there are 2 variables that influence trust institutions, namely peer influence (P value = 0.003) and system fairness (0.000), hence hypotheses 3 and 4 are accepted. However, religiosity and moral reasoning have no effect on trust institutions because the P value is more than 0.05 hence it is not statistically supported, which means hypotheses 1 and 2 are not accepted. Trust institutions were found to have an influence on zakat intention, therefore hypothesis 5 was accepted.

Table 2: Path Coefficient Result

Relation	P values	Conclusion
Religiosity -> Trust Institution	0.355	H1 rejected
Moral Reasoning -> Trust Institution	0.227	H2 rejected
Peer Influence -> Trust Institution	0.003	H3 accepted
System Fairness -> Trust Institution	0.000	H4 accepted
Trust Institution -> Zakat Intention	0.000	H5 accepted

Discussion

The research found that religiosity does not influence Muzakki trust in the institution. Therefore, religiosity does not affect whether or not an individual trust the zakat institution. The 84% of the 173 respondents were predominantly within the age range of 19 to 25 years, which showed majority were undergraduates. Ilter et al. (2017), stated that students' resident in large cities had declining religiosity. The individual overlooked the aspect of religiosity in daily lives, including zakat contributions. The findings of the research are in line with Aristiana et al. (2019) and Kurniaputri et al. (2020), who stated that religiosity does not have a significant relationship with respondent decisions to pay zakat.

Based on the results, moral reasoning does not influence a Muzakki (zakat payer) trust in the institution. This indicated that Muzakki does not need to consider the aspect of moral reasoning in assessing a zakat institution can be trusted. Moral reasoning refers to judgment through social relationships within the environment (Bin-Nashwan et al., 2021). In this context, the variable refers to how an individual evaluates the moral aspects of a zakat institution. The respondents were predominantly within the age range of 19 to 25 years, implying majority were

undergraduates. In accordance with the findings of Beik et al. (2023), young Muzakki had low zakat literacy. The individual lacked information about zakat institutions, leading to moral reasoning being disregarded when assessed in terms of reliability.

This research reported that peer influence affected institutional trust. It showed that the influence of friends and social factors played a role in the trust placed on specific zakat institution. The higher the perception that a reference group donates a portion of personal income, the greater the intention to imitate similar behavior (Andam & Osman, 2019). Therefore, if the social environment promotes Muzakki to believe in a particular institution, there is a tendency to imitate a similar behavior of trusting that zakat institution. Social trust, an essential element in informal institutions (Kashif and Run, 2015), is defined as societal expectations of the general and abstract trust in others (Kashif et al., 2015).

Based on the results, it is shown that system fairness influences trust in the institution. Therefore, when the institution implements a fair zakat system, it affects the trust of Muzakki. This is because a fair system encourages openness regarding financial reports or transparency (Sawmar and Mohammed, 2021). Additionally, this variable was observed in the transparency of activities carried out by the zakat institution through monthly and annual reports, websites, etc (Hasan & Marston, 2010).

In the context of zakat, a fair system is implemented in accordance with the example of the Prophet Muhammad (peace be upon him) (Hasan & Marston, 2010). Therefore, the institution must demonstrate transparency regarding the collection and distribution of zakat. A fair system should include the disclosure of information related to the activities of the institution through annual reports and verification of accounts by a reliable auditor. This strengthens mutual trust and sincere compliance with zakat payments (Abioye et al., 2013).

In line with the findings, it was found that institutional trust influenced zakat intention. This showed that Muzakki who trusted the institution had the intention to contribute. In the context of nonprofits, public trust has a strong influence on voluntary alms-giving behavior (9). Zakat institutions are responsible for collecting and managing funds, therefore it is crucial to attract and gain the trust of Muzakki (4). Muslims believe that any institution entrusted with religious obligation must be reliable. Compared to other forms of voluntary contributions, zakat is a religious obligation from divine guidance. However, lack of trust in zakat institutions causes the payers to donate directly to the recipients. The results are in line with the research by (5) which stated these institutions influence zakat intention

CONCLUSION

In conclusion, two variables, namely peer influence and system fairness influenced trust in zakat institutions. This led to several recommendations, first, to earn the trust of Muzakki, marketers or zakat institution must adopt effective strategies to influence a group of individual. Second, the institution needed to improve the management system to ensure transparency and fairness for zakat recipients. Third, it must adopt efforts to foster the trust of Muzakki to consistently contribute zakat

to the institution, including the realization of promises, practicing honesty, maintaining openness, and implementing a fair zakat system.

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