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Behavioral Dimensions of Islamic Philanthropy: The Case of *Zakat*

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Abstract This chapter studies the behavior of individual Islamic donors who make a specific type of religious contribution called *zakat*. It seeks to provide a fundamental understanding of what governs the behavior of these donors—the triggers and motivators, traits and attributes, and preferences. The study uses hierarchical cluster analysis to develop psychographic profiles of individual Islamic donors or groups among them. Interestingly, two of the three clusters closely resemble subsets of the overall sample, when disaggregated on the basis of donor's country of origin, indicating the possibility that Islamic donors from a given country may be displaying a distinct behavioral pattern. This raises a more profound possibility that the national identity of the donor associated with a unique social, economic, legal, and political environment

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may be a key influencer of the way she/he engages in matters pertaining to faith. The evidence highlights the need to give due importance to the observed diversity among *zakat* donors in any initiative to develop core principles, regulatory standards, institutional infrastructure, and models of governance for the development of this component of the global Islamic social finance sector.

JEL Classification G20 · G21 · G28

Keywords Islamic philanthropy · *Zakat* · Behavioral · Development

6.1 Introduction

Zakat is a unique form of charity in Islam. For a believing and practicing high net worth Muslim, it is a compulsory annual levy. In the classical framework, *zakat* is to be mobilized by the Islamic state and utilized for beneficiaries as ordained by the Shari'ah. In the absence of a state enforcement mechanism, however, *zakat* is clubbed with other forms of philanthropy that is undertaken by the individual. At the same time, given that the primary beneficiaries of *zakat* are the poor and the destitute, *zakat* is deemed to be a tool of poverty alleviation. The voluntary dimension of *zakat* payment naturally requires an understanding of donor behavior. Every donor has unique behavioral traits that motivate and trigger his/her action. It may be simple obedience and servitude to the commands of the Almighty as transmitted through religion. Or, it may be rooted in benevolence and a sense of obligation to help the poor and the needy. Or, it may be borne out of "affinity" for members of extended family and clan. Such action may also be a result of a strong desire to please the Creator by helping His creation. Donors may also be triggered by a sense of guilt and the need to expiate sins committed consciously or unconsciously. Donor behavior may also be shaped by the existing practices with respect to the management of the charity funds. Arguably, every donor has a unique set of preferences that may vary with respect to the role of a centralized or decentralized system, local and

institutional actors, and the clergy. A donor may also prefer a “collectivist” scenario that is built on “trust” where measures to ensure transparency, accountability, and good governance are in place. If such measures are not or cannot be put in place, she/he may prefer an “individualist” scenario and self-management of *zakat*.

The purpose of this chapter is to provide a fundamental understanding of what governs the behavior of *zakat* donors—the triggers, motivators, preferences, and inclinations as well as aversions and discomforts—and then map the same with what the environment offers to them. A gap, if any, will naturally have policy implications and call for reforms. Since the regulatory infrastructure and policy environment usually differ across countries, the study also documents and compares donor behavior for country-specific subsets of the overall sample. The rest of the chapter is organized as follows. Section 6.2 undertakes a survey of related literature, primary in conventional and secular domain on what motivates the donors. Section 6.3 describes the objectives, data, and methodology. Section 6.4 presents the findings and discusses the same. Section 6.5 provides a summary of the paper.

6.2 Prior Studies

A number of studies have been undertaken to investigate a fundamental question: “what motivates an Islamic donor to donate?”

The intrinsic and extrinsic motivations for charitable giving can vary from donor to donor (Sargeant and Woodliffe 2007). A 2009 study by the Center for Philanthropy, Indiana university finds top three motivations for giving as follows: (i) providing for the poor’s basic needs such as food and shelter; (ii) helping the poor help themselves; and (iii) making the community better. Bekkers and Bowman (2008) link charitable giving to trust. They find that a higher level of general trust is associated with more confidence in charitable organizations and charitable giving. People who are more trusting and believing in altruistic values are more likely to have confidence in charitable organizations and to start volunteering.

Several studies examined the linkage between income differences and factors, such as altruism, trust, and responsibility. Andreoni (1990) finds that the degree of altruism varies by income level. Wiepking (2007), however, does not find an effect of income on the probability of giving, but finds a consistent negative effect of income on both total and religious donations as a proportion of income. A synthesis of the current research into “major” donors and philanthropic giving undertaken by the Institute for Fundraising has some interesting findings regarding what motivates the major donors (Lincoln and Saxton 2012). The synthesis clearly highlights that major donors in developed countries emphasize the importance of strategic philanthropy; most give to causes where they have a personal connection. Interestingly, religious organizations figure in the group that receives the least support.

Breeze (2011) summarizes various theories of philanthropy that emphasize (i) the “purchase” of donor benefits, including intrinsic benefits, such as the satisfaction and pleasure gained by the act of donation; (ii) the creation and communication of a certain individual identity; (iii) an attempt to shape the world, while also transforming self-image; (iv) the relationship building between donors, charities, recipients and other donors; and (v) the pursuit of a moral and purposeful life or self-actualization. Schervish (2008) argues that all giving is motivated by an array of factors. An extensive study of major donor motivation in the UK (Lloyd 2004) groups the varied motivations that drive giving among the wealthy into five categories: (i) belief in the cause; (ii) being a catalyst for change; (iii) self-actualization; (iv) duty and responsibility; and (v) relationships. Although economists, psychologists, sociologists, and other researchers have identified many motivations for giving, including a variety of predictors, such as tax implications, altruism, and others, the models and theories of the motives for donating have proven insufficient (Vesterlund 2006; Van Slyke and Brooks 2005; Burnett and Wood 1988).

A number of studies explore the link between religiosity and charitable behavior. Religiosity has been proven to be a significant contributor to charitable giving in American society (Schervish 1997). Religion provides a cognitive framework that fosters caring and benevolent behavior. The impact of religiosity on religious donations is explicit. Brown and

Ferris (2007) show that people with religious beliefs tend to be generous and have greater concern for disadvantaged groups. Lili and Elizabeth (2008) explore the impact of social capital on individual charitable giving to religious and secular organizations and find evidence of important differences in the determinants of religious and secular giving, suggesting the need to distinguish these two types of charitable giving in future work.

In relation to Islamic charity, studies are extremely rare. Bakar and Rashid (2010) examine the motivations underlying *zakat* on income for Malaysia. In a survey of 31 academics of the International Islamic University Malaysia, this study investigated the relative importance attached by Islamic donors to several motivators, e.g., *zakat* as a social obligation toward the Muslim Ummah; a payment toward the rights of the poor and needy; a religious obligation; a way to improve the economic condition of the Ummah; an effective mechanism for wealth distribution; and a way to claim tax rebate. The study witnessed a near agreement (ranging between 75 and 90%) among most respondents on all the factors. The study concludes rather hastily that Muslims do not take into serious consideration the issue of *zakat* distribution since what matters more to them is that they would get tax rebate out of the *zakat* on income paid. They base their conclusion on the finding that the availability of tax rebate is ranked higher in its influence toward the fulfillment of *zakat* obligation (80%) as compared to the effectiveness of *zakat* for wealth redistribution (74%). This is notwithstanding the fact that 84% of respondents stressed on *zakat* as a tool to improve the economic condition of the Ummah. Needless to say, there is a need for a study that uses a more exhaustive and comprehensive list of motivators, and a much larger sample size to arrive at realistic results.

In an early study, the first of its kind, Diabi (1993) sought to explain the underlying reasons for non-payment of *zakat*. Treating *zakat* similar to income tax, he hypothesized that the probability of a Muslim individual declaring his/her true income (and the *zakat* payable thereon) depends on the individual faith, attitude toward risk of being detected, and the enforcement of a penalty for *zakat* evasion. This framework is understandable in the context of Saudi Arabia, where *zakat* is compulsorily mandated by the state and enforced vigorously in a manner

similar to income tax. A study to examine reasons for “*zakat* evasion” therefore makes sense in this context. It does not go very far, given the contemporary realities in most Muslim countries where *zakat* payment is treated as a voluntary contribution from the standpoint of legal compliance, even while it is compulsory from a religious point of view. In these countries, tax benefit may at best be seen as a tool to incentivize *zakat* payment.

In another study, Saad and Haniffa (2014) examine factors influencing business *zakat* compliance behavior using the theory of reasoned action (TRA) to investigate whether “attitude,” “subjective norm,” and “intention” are the determinants of *zakat* compliance behavior and find intention to be a significant predictor of *zakat* compliance behavior. Intention is further found to be influenced by both attitude and subjective norm, and it mediates the relationship between both factors with business *zakat* compliance behavior. In yet another study, Mustafa et al. (2013) investigate and seek to explain the factors underlying the inclination of Islamic donors to trust a particular *zakat* institution and find board capital, disclosure practices, governmental model of *zakat* institution, and stakeholder management as being the antecedents of Islamic donors’ trust.

6.3 Objective, Data, and Methodology

The purpose of this study is to gain a fundamental understanding of what governs the behavior of *zakat* donors—the triggers and motivators, traits and attributes, preferences, inclinations as well as aversions and discomforts—and then map the same with what the environment offers. Based on their responses to a set of statements that connote specific motivators, traits, and preferences, an attempt has been made to develop psychographic profiles of individual Islamic donor groups. Various statements used in the study capture the following factors.

“Servitude to God” is expected to be the dominant motivator for a believing and practicing Muslim for whom *zakat* is compulsorily mandated by the Creator. It is a religious obligation that opens the possibility of earning His pleasure through helping His creation. “Purification

and expiation” is also expected to be key motivators. *zakat* is paid by the believers and faithful as a way to purify wealth, to expiate one’s sins. The study also considers “feel good” as well as “getting rid of feeling of guilt” as possible motivators. Since *zakat* is primarily targeted at alleviating poverty and helping the needy including the near-and-dear ones, “altruism,” “benevolence and concern for others,” “affinity and relationship” are also expected to motivate *zakat* payment. Additional motivators considered in the study are “self-actualization” through “making a difference to the society” and/or “helping a cause that is dear to one’s heart,” such as “propagation of Islam.”

It may be noted here that some of the factors above may be inter-related because every action for a believing and practicing Muslim is, in the ultimate analysis, undertaken with a view to seek the pleasure of the Almighty and is motivated by “servitude to the Creator.” The factors, however, connote specific concerns and are, therefore, considered independently as influencers and motivators. Other factors may be in the nature of more mundane considerations, such as immediate returns in the form of “tax benefits” and “self-recognition.” *Zakat* may be paid simply for “compliance with dictates of the state” or to bring “social change through local and voluntary organizations.”

The study also aims to examine the relationship if any, between the various motivators, influencers, and preferences of Islamic donors and their own individual traits—piety, benevolence, vigilance, accountability, responsibility, ability to trust, penchant for details, apathy, indolence, and indifference—as well as the characteristics of *zakat* organizations, e.g., governance, transparency, accountability, information sharing, frugality, extravagance, etc.

In addition to measuring the relative importance of factors that motivate the individual *zakat* donor, the study also seeks to profile the donors in terms of specific behavioral traits and preferences. The study has the additional objective of examining whether the above-mentioned factors are influenced by the country of origin of the *zakat* payer.

Another important objective of the study is to examine if and to what extent specific motivators, behavioral traits, and preferences are inter-related and go together. For instance, it may seek answers to the following types of questions. Do the individuals who pay *zakat* to seek the

pleasure of God are also motivated by altruism, affinity or kinship? Do they show responsibility and accountability? Do they appreciate frugality and caution? Do they demand a lot of information? Do they prefer the state or non-state actors to be entrusted with *zakat* management? The study seeks to find answers to such questions by subjecting the statements to pair-wise correlation analysis, and cluster analysis.

6.3.1 Clustering Approach

Clustering is the method of identifying the distribution of patterns and intrinsic correlations in large data sets by partitioning the data points into similar classes. The major goal of cluster analysis is to separate n individual observations, or items, into k groups, or clusters, on the basis of the values for the q variables measured on each individual. There are three major classes of clustering algorithms, namely (1) hierarchical, (2) partitioning, and (3) model-based methods. Given that the nature of our data set is binary and is relatively small, we employ hierarchical cluster analysis with binary squared Euclidian distance and Ward-linkage to identify the number of clusters and thus the number of groups of Islamic donors with similar motivators, traits and preferences. Hierarchical cluster is well suited for binary data because it allows selecting from a great many distance functions invented for binary data and is theoretically more sound for them than simply Euclidean distance. More specifically, we use the following approach in clustering:

Suppose for each individual ($i = 1, \dots, n$), let the binary variable X_{ij} take the value 0 or 1, where $j = 1, \dots, q$. Then two individuals have a “match” on a binary variable if both individuals have the same values for that variable either both 0 or 1. Otherwise, the two individuals are said to have a “mismatch” on the binary variable. To determine the closeness of the clusters, we calculate the squared Euclidean distance $\sum_{ij}^q (X_{ij} - X_{i';j})^2$ between each pair of rows of 0s and 1s.

Data for the study was collected through a survey. It required respondents to tick if they agree with a given statement. Respondents were asked to respond to 52 statements relating to their motivation and

Table 6.1 Servitude to God

Statement(s)	Total Sample	India	Nigeria	Malaysia
It is compulsorily mandated by God	77	88	67	77
It is a religious obligation for every rich Muslim	89	88	78	93
God is pleased with those who help his creation	57	67	40	58

preferences and 4 questions relating to their nationality, education, profession, and income. The survey was announced widely on the social media, including Twitter, Facebook, and several large networks, e.g., Thomson Reuters Islamic Finance Gateway, Global Islamic Economy, IBF Net, Islamic Finance Info, NRIndians, Bihar Anjuman and Sadaqa. In. The survey elicited a total of 226 respondents.

6.4 Findings and Discussion

First, we consider the relative importance attached to various motivators, triggers, and preferences. A simple calculation of the relative frequency of responses to a given statement throws up some interesting findings as below. We also consider three specific subsets from Nigeria, India, and Malaysia and examine if “country of origin” is a significant influencer of their behavior.

The primary motivator for *zakat* payer is “Servitude to God” (Table 6.1) as the related statements elicit maximum responses. The significance seems to be relatively lower for *zakat* payers from Nigeria.

Related to the above is the purification and expiation aspect of *zakat*. Islamic donors are motivated by positive statements without the use of terms, such as “sin” or “guilt.” As high as 64% pay *zakat* because it “purifies” their wealth. The percentage comes down to 36% when the statement is rephrased as “wipes off sins.” Similarly, a high 51% say they pay *zakat* because “it feels good” while only 30% say, they pay *zakat* because “it helps get rid of his/her feeling of guilt” (Tables 6.2 and 6.3).

“Benevolence and concern for the poor and the needy” motivates 63% of respondents and 44% pay *zakat* to an organization because it

Table 6.2 Purification and expiation

Statement(s)	Total Sample	India	Nigeria	Malaysia
<i>Zakat</i> payment purifies his/her wealth	64	79	53	55
<i>Zakat</i> payment wipes off his/her sins	36	43	26	41
He/she feels good after paying <i>zakat</i>	51	48	38	51
<i>Zakat</i> payment helps get rid of his/her feeling of guilt	30	21	32	34

Table 6.3 Altruism

Statement(s)	Total Sample	India	Nigeria	Malaysia
He/she must help the poor and the needy	63	67	42	70
His/her relatives and near and dear ones seek financial help	33	50	24	28
The organization receiving his/her <i>zakat</i> helps the poor and makes a difference to the society	44	39	10	57

can help the poor and make a difference to the society. Further, their “affinity” with potential beneficiaries motivates 33% of the Islamic donors. Altruism and affinity seem to be of relatively lesser significance in Nigeria as compared to India and Malaysia

“Self-actualization” is not a major motivator as a meager 27% say they pay *zakat* to an organization because it helps a cause dear to his/her heart. This percentage is unusually low at 5% for Nigeria, 30% for India, and 40% for Malaysia.

A higher percentage, 36% of all respondents pay *zakat* because it may be utilized for “propagation of Islam.” This percentage is 24%, 33%, and 58% for Nigeria, India, and Malaysia, respectively.

“Self-recognition” is a motivator for a little more than one-third of respondents. 37% of them feel that *zakat* organizations must acknowledge his/her contribution through a letter or a note or some other form of recognition. This ratio is 19%, 64%, and 31% for Nigeria, India, and Malaysia, respectively.

Zakat payers may not be motivated significantly by immediate returns in the form of “tax benefits.” It is a motivator for a mere 17% of the respondents and elicits almost zero response in Nigeria and India. It is, however, a significant motivator in a country like Malaysia.

Table 6.4 Tax benefits

Statement(s)	Total Sample	India	Nigeria	Malaysia
<i>Zakat</i> results in savings in income tax	17	0	2	50
If an individual pays <i>zakat</i> , he/she should get full deduction in income tax payable	46	55	29	68
If an individual pays <i>zakat</i> , he/she should get partial deduction in income tax payable	20	10	27	25
If a business pays <i>zakat</i> , it should get full deduction in income tax payable	31	48	16	38
If a business pays <i>zakat</i> , it should get partial deduction in income tax payable	18	12	24	18
<i>Zakat</i> and taxes should not be mixed up	46	79	57	17

The overall picture may be biased due to the absence of substantial tax benefit on *zakat* in a given jurisdiction. While Malaysia provides for tax rebate or a reduction in tax payable by the full amount of *zakat* paid, other countries provide tax benefit similar to other donations equal to a reduction in tax base or taxable earnings by the *zakat* amount. This is supported by the fact that 46% of Islamic donors feel if an individual pays *zakat*, he/she should get full deduction in income tax payable. The ratio is quite high in India at 55% and in Nigeria at a more modest 29%. A relatively lower percentage advocate partial deduction in tax payable. A relatively lower percentage also advocate tax benefit to businesses. However, an equally high 46% feel that *zakat* and taxes should not be mixed up; neither individual nor business should get any tax reduction for paying *zakat*. It is as high as 79% in India and extremely low at 17% in Malaysia, arguably for reasons cited above (Table 6.4).

“Compliance with dictates of the state” does not appear to be a significant motivator as only 12% acknowledge they pay *zakat* because it is compulsorily required by the state, even when the sample includes countries like Malaysia, Saudi Arabia, and Pakistan that have mandated *zakat* to be compulsory. Predictably, the ratio is higher at 33% in Malaysia, but does not explain the low overall ratio. The ratio, predictably is zero for India, consistent with the fact that state plays no role in *zakat* management) and a meager 7% in Nigeria (*zakat* is compulsorily

Table 6.5 Role of state, non-state actors in *zakat* collection/distribution

Statement(s)	Total Sample	India	Nigeria	Malaysia
<i>Zakat</i> should be collected/distributed by central government	40/41	17/12	31/27	73/72
<i>Zakat</i> should be collected/distributed by provincial government	34/40	14/12	24/27	62/70
<i>Zakat</i> should be collected/distributed by local entities	33/38	24/36	24/24	42/45
<i>Zakat</i> should be collected/distributed by individuals	18/23	24/43	22/16	12/12
<i>Zakat</i> should be collected/distributed by NGOs	49/52	79/76	53/51	27/28
<i>Zakat</i> should be collected/distributed by Ulema	20/18	33/31	29/22	8/10

mandated in a few provinces). Does this imply that Islamic donors are not in favor of the state having a role in *zakat* management? Quite contrarily, 40–41% of respondents feel that the central government should collect and distribute *zakat*. Similarly, 34% feel that the provincial government should collect *zakat* and a higher percent (40%) feel that it should distribute *zakat* as well. A country-wise analysis, however, offers quite interesting contrasts. India and Malaysia seem to be placed at opposite extremes with Nigeria placed in between. Few Indian Islamic donors see any role for the state at the central or provincial levels, a large majority batting for non-government organizations and some opting for the ulema. An exactly opposite set of preferences is reported for Islamic donors from Malaysia. Preferences from Nigeria are similar to India, albeit less intense (Table 6.5).

Overall, a sizable percentage of Islamic donors perhaps look forward to “social change through local and voluntary initiatives” if we bracket local entities with NGOs and ulema together.

Islamic donors display a high sense of responsibility/accountability in the matter of *zakat* estimation and payment with 67% asserting that they have a fair knowledge of how to estimate their *zakat* liability. 27% need professional advice and assistance. A high 46% feel it is their responsibility and religious obligation to ensure that *zakat* is utilized properly for the benefit of the poor and the needy. 14%, however, display extreme apathy, indolence and indifference and say they are unconcerned about how *zakat* is utilized once the obligation

Table 6.6 Responsibility and accountability

Statement(s)	Total Sample	India	Nigeria	Malaysia
Have fair knowledge of how to estimate my <i>zakat</i> liability	67	81	67	55
Need the assistance of experts to estimate my <i>zakat</i> liability	27	21	20	47
Not concerned about how <i>zakat</i> is utilized once I pay my <i>zakat</i> to the collection	14	10	9	27
Own responsibility to ensure that <i>zakat</i> is spent for the benefit of the poor and asnaf	46	69	36	37
A religious obligation to ensure that <i>zakat</i> is utilized properly	46	64	27	38

to pay is over. Is there a pattern too in the country-specific responses (Table 6.6)?

Indian *zakat* donors demonstrate a high sense of responsibility and accountability. Feeling that they are adequately knowledgeable, they hold themselves personally responsible and accountable for the end-use of *zakat*. Nigerian respondents also demonstrate fair level of knowledgeable but a far lesser degree of personal accountability for the end-use of *zakat*. Malaysian *zakat* donors feel they need expert assistance and also demonstrate moderate levels of personal accountability. The felt need for expert advice may also demonstrate a “quest for accuracy and perfection.” However, the straightforward response that “I am not concerned about how *zakat* is utilized” among 27% of Malaysian Islamic donors compared to 10% and 9% of Islamic donors from India and Nigeria, respectively does indicate “apathy” and “indifference” as being the reason for seeking expert assistance (Table 6.7).

Islamic donors clearly feel that the *zakat*-collecting organizations should heavily promote their campaigns to raise funds, similar to modern fund-raising organizations, through roadshows, conferences, etc. (42%) and use mainstream media—newspaper, TV, Internet, etc. for advertising and fund-raising campaigns (50%). An equally large number of respondents (48%) feel that they should avoid costly and expensive methods of creating awareness. Only a meager 16% believe that they should use masjids alone for creating awareness regarding *zakat*.

Table 6.7 Frugality

Statement(s)	Total Sample	India	Nigeria	Malaysia
Heavily promote through fund-raising campaigns, roadshows, conferences, etc.	42	21	31	77
Use mainstream media—newspaper, TV, Internet, etc.	50	31	47	70
Avoid costly and expensive methods of creating awareness	48	60	40	40
Use masjids only for creating awareness regarding <i>zakat</i>	16	24	7	10

Table 6.8 Conservatism/Caution

Statement(s)	Total Sample	India	Nigeria	Malaysia
Never use <i>zakat</i> to cover own administrative expenses	39	29	31	52
Never use more than one-eighth of <i>zakat</i> collected to cover their own administrative expenses	48	45	33	57
Never carry undistributed surplus <i>zakat</i> to next year	36	48	24	30
Never invest <i>zakat</i> surplus to generate good long-term returns	35	38	27	50
Never invest <i>zakat</i> surplus in safe and liquid avenues, even if for a short term	26	33	20	28

Indian *zakat* donors tend to be far more frugal than their Nigerian and Malaysian counterparts with 60% preferring a cautious approach and avoidance of promotional methods that cost money. Malaysian *zakat* donors (77%) seem to be quite comfortable with aggressive marketing and promotional campaigns to raise funds. Once again Indian *zakat* donors display distinct inclination for frugality, with only 21% in favor of promotion and some even opting for the traditional use of masjid for creating public awareness about *zakat* (Table 6.8).

Islamic donors, overall, display a high degree of conservatism in the matter of utilization of *zakat* by organizations to cover their own administrative expenses with 39% entirely ruling this out and 48% opting for the standard practice of permitting *zakat* organizations to use up to one-eighth of *zakat* collected to cover their own administrative

Table 6.9 Governance

Statement(s)	Total Sample	India	Nigeria	Malaysia
Audited every year by independent financial auditors	58	48	29	82
Audited every year by independent Shari'ah auditors	65	69	49	75
Report the figure for total <i>zakat</i> collections every month to the public	40	33	27	50
Report the figures for <i>zakat</i> , Sadaqa, and cash waqf separately to the public	48	52	31	45
Report the category-wise distribution of <i>zakat</i> every year to the public	49	57	29	53
Report the project-wise distribution of <i>zakat</i> every year to the public	48	52	24	52

expenses. Since *zakat* flows are meant for the poor and the destitute, scholars recommend that *zakat* collected during a year should be fully spent during that year. 35–36% of Islamic donors seem to take an extreme position in this matter and prefer a prohibition on organizations from carrying undistributed surplus *zakat* to the next lunar year and/or investing such surplus to generate good long-term returns. Even when such surplus is invested in safe and liquid avenues for a short term, 26% find the idea repugnant. While respondents from Malaysia bat for aggressive marketing and fund-raising campaigns, they also display at the same time a higher degree of concern. Fifty-two percent feel that the entire cost should be absorbed by non-*zakat* funds and 57% prefer to place a cap at one-eighth of *zakat* funds collected. In the matter of carry forward of undistributed surplus, they display more flexibility with only 30% rejecting this possibility. The corresponding percentage for India is 48% (Table 6.9).

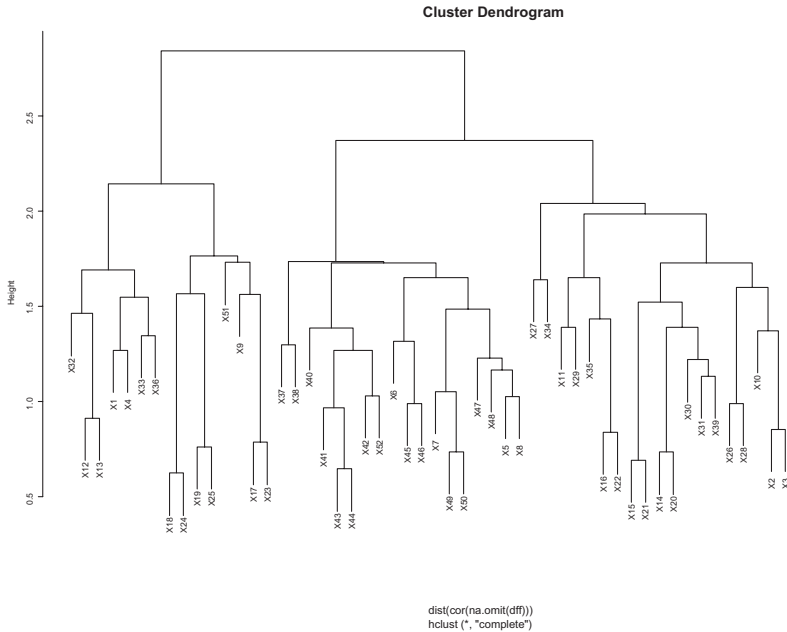
Individual *zakat* donors place a lot of value on “audit” with 58% opting for mandatory and independent financial audit and 65% for Shari'ah audit. 40% seem to be avid seekers of information requiring that organizations must report the figure for total *zakat* collections every month to the public. They also seem to place high value on transparency in the form of separation of *zakat* from Sadaqa, cash waqf funds and their disclosure to the public (48–49%). An equally large percent of respondents require annual disclosure of category-wise as well

as project-wise distribution of *zakat* to the public. The inter-country comparison clearly shows that there are major differences in the way Islamic donors demand good governance and seek transparency. Respondents from Nigeria are least concerned about audit and are least demanding in terms of relevant information. *Zakat* donors from Malaysia display maximum vigilance and concern for good governance.

While making inter-country comparison and interpreting the country-specific findings, it is useful to juxtapose the social, economic, legal, and political environment present in these countries. It may be noted that in Malaysia, *zakat* management is undertaken in a fairly organized manner with involvement of state and private corporate entities, with a legal regulatory framework in place and with a policy environment that coordinates between financial institutions, religious councils, inland revenue authorities, and other relevant institutions. In India, on the other hand, *zakat* management takes place in a regulatory and policy vacuum and is undertaken informally with minimal involvement of any institutional and organizational infrastructure, the ulema playing a key role in creating public awareness, collecting and utilizing *zakat* funds. In such an environment, “trust” reposed in the ulema essentially replaces the need for timely sharing of information; with the ulema accountable only to God. Nigeria interestingly, is characterized by a mix of formal and informal *zakat* management with involvement of the state entities, as well as non-state actors at local levels; a regulatory framework being in place in only a few provinces. The perceived significance of financial audit, Shari’ah audit, information sharing, and good governance practices may thus be explained in terms of the impact of these environmental differences on the Islamic donor’s motivators, traits, and preferences.

As the next step in analysis, the study finds motivators, traits, attributes, and preferences that go together and based on this, clubs them together forming groups or clusters with similar psychographic profiles. We also use descriptors (as distinct from definitions) based on behavioral traits, attributes, and preferences as presented in Appendix 1. Based on the cluster dendrogram presented in Fig. 6.1, we identify three distinct clusters as follows.

The first cluster includes God’s servants, who pay *zakat* simply because it is ordained by God. They take it on themselves to acquire the



CLUSTER I	CLUSTER II	CLUSTER III
x32: conformist, frugal, x12: responsible, x13: accountable, x1: religious- dutiful, x4: God's servants, x33: traditionalist - parsimonious, x36: traditionalist — conservative, x18: institutionalist, x24: institutionalist, x19: ulema - loyalist, x25: ulema-loyalist, x51: purist, x9: knowledgeable, x17: individualist — anarchist, x23: individualist - anarchist	x37: greed-buster, x38: traditionalist, x40: Shari'ah-conformist, x41: control-freak, x43: information- seeker, x44: information-seeker, x42: Shari'ah-conformist, x52: recognition-seeker, x6: propagator-of-faith, x45: reformist, x46: change-agent, x7: affinity-seeker, x49: sin- expiator, x50: guilt-expiator, x47: feel-gooder, x48: purist, x5: do-gooder, x8: God's-pleasure- seeker	x27: tax-saver, x34: skeptical, x11: indolent-apathectic, x29: tax-saver, x35: cautious - compliance-freak, x16: localist, x22: localist, x15: federalist, x21: federalist, x14: statist — collectivist, x20: statist — collectivist, x30: prodigal- campaigner, x31: communicator, x39: reckoner, x26: return- seeker, x28: return-seeker, x10: ignoramus, x2: tax-saver, x3: statist -law-abiding

Fig. 6.1 Descriptors based on behavioral traits, attributes and preferences

necessary knowledge regarding *zakat* rules. They tend to favor *zakat* management by “non-government actors” including the NGOs, ulema and even by pious individuals. They display high degree of responsibility and accountability and consider it as their own responsibility and/or religious

obligation to ensure that *zakat* is spent for the benefit of the poor and the needy. They prefer a frugal and traditional approach to creating public awareness, such as the masjids. They feel the *zakat*-collecting organizations should avoid costly and expensive methods of creating awareness. They tend to believe in the traditional view that the *zakat* organizations must never carry undistributed surplus *zakat* to next year. A juxtaposition and careful comparison of this cluster with the observations for the sub-sample from India throws up strikingly similarities.

The second cluster includes Islamic donors who display high degree of altruism, benevolence, and concern for the poor and the needy. They also pay *zakat* to be used for propagation of faith and also to help their near and dear ones. They believe this will purify their wealth, expiate their sins, and make them feel good. They pay *zakat* because they believe *zakat* is used for a cause dear to their heart and brings about a change in the society. They do it to seek God's pleasure as the ultimate objective. They do not display preference for any particular infrastructure of *zakat* management, but are more concerned about the governance aspects of *zakat* management. They are traditionalists, unconcerned about returns and feel that *zakat* surplus should not be invested, either to generate good long-term returns or even for short term in safe and liquid avenues. They are also conservative and place a high value on Shari'ah compliance, especially on the fulfillment of Shari'ah conditions like separation of *zakat* funds from other forms of donations. They demand transparency and expect to be informed routinely about category-wise and project-wise distribution of *zakat*.

The third cluster includes *zakat* players who primarily seek some form of immediate returns, in the form of tax savings. Tax savers show very high correlation with the statisticians and the law-abiding. They strongly believe that the state (central or provincial) should provide a complete infrastructure for *zakat* management. The state should provide tax rebate—full or partial—on *zakat* to all *zakat* payers, whether individuals or businesses. Tax savers tend to need expert assistance for estimation of their *zakat* liability and display apathy and indifference toward how their *zakat* is going to be utilized. They also seem to champion aggressive marketing and use of media and modern technology for *zakat* management. They display some distrust for *zakat* bodies

and explicitly demand that the *zakat* organizations must never use more than one-eighth of *zakat* collected by them to cover their own administrative expenses. They also seek legal compliance in the form of periodic financial audit. A juxtaposition and careful comparison of this cluster with the observations for the sub-sample from Malaysia throws up strikingly similarities.

6.5 Conclusion

The study has attempted to gain a fundamental understanding of what governs the behavior of *zakat* donors—the triggers and motivators, traits and attributes, preferences, and inclinations as well as aversions and discomforts. Based on their responses to a set of statements that connote a specific motivator, attribute or trait, and preference, an attempt has been made to develop psychographic profiles of individual Islamic donors or groups among them. The study finds “servitude to God” as the dominant motivator. Other key motivators include “purification and expiation,” “altruism, benevolence and concern for others.” Additional motivators observed in the study are “self-actualization” through “making a difference to the society” and/or “helping a cause that is dear to one’s heart,” such as, “propagation of Islam.” “Immediate returns” in the form of “tax-savings” or “self-recognition” appear to be insignificant motivators when results for the overall sample are considered. These, however, constitute major motivators for sub-sample comprising Islamic donors from Malaysia. This sub-sample also bats for a significant role for state in *zakat* management.

With increasing role of the state in religious matters, e.g., *zakat*, there is a clear and perceptible danger of the believers behaving more as citizens and perhaps seeking compliance with state laws and not as pious and benevolent Muslims seeking the pleasure of God. It is not difficult to see the complete turnaround in the objective function of the believer—from seeking to maximize pious and good deeds in the form of *zakat* payment to one of seeing *zakat* as a state-imposed tax and seeking to minimize “*zakat* burden.” Indeed, this possibility manifests in the literature on *zakat* compliance cited in this study where researchers find

the “probability of being detected and penalized by the state” as among the key factors bringing about “*zakat* compliance.” Our study, however, correctly hypothesizes that the investigated factors should include motivators in an environment where *zakat* payment is similar to other forms of donations, for “there is no compulsion in religion” in the ultimate analysis. Our findings provide strong supporting evidence that Islamic donors pay *zakat* because it is required by the Creator, and not by the state.

The study presents interesting contrasts among Islamic donors in terms of their motivators, preferences, and behavioral patterns. It reduces the matrix of responses collected across 28 countries to a set of such factors to three distinct clusters. Interestingly, two of the three clusters closely resemble subsets of the overall sample, when disaggregated on the basis of country of origin, indicating the possibility that Islamic donors from a given country may be displaying a distinct set of motivators, preferences, and behavioral patterns. Given the significance of *zakat* as the third pillar of Islam, this raises a more profound possibility. The national identity of a Muslim is associated with unique social, economic, legal, and political environment and thus may be a key influencer of the way he/she develops an understanding of the Islamic tenets and displays unique behavioral traits and preferences in matters relating to faith, as important as *zakat*. The idea of unity of the Ummah in thought and action, though cherished by all faithful, does not quite dominate the impact of environmental differences rooted in nationality.

Appendix 1: List Statements and Descriptors

Code	Statement	Descriptor
X1	I pay <i>zakat</i> because it is a religious obligation for me	Religious–dutiful
X2	I pay <i>zakat</i> because I save on my income tax	Tax saver
X3	I pay <i>zakat</i> because it is compulsorily required by the state	Statist/law-abiding
X4	I pay <i>zakat</i> because it is compulsory mandated by God SWT	God’s servant

Code	Statement	Descriptor
X5	I pay <i>zakat</i> because I must help the poor and the needy	Do-gooder
X6	I pay <i>zakat</i> because my <i>zakat</i> may be utilized for propagation of Islam	Propagator of faith
X7	I pay <i>zakat</i> because my relatives and near and dear ones seek my financial help	Affinity seeker
X8	I pay <i>zakat</i> because God SWT is pleased with those who help His creation	God's pleasure seeker
X45	I pay <i>zakat</i> because organization receiving my <i>zakat</i> helps the poor and makes a difference to the society	Reformist
X46	I pay <i>zakat</i> because organization receiving my <i>zakat</i> helps a cause that is dear to my heart	Change agent
X47	I pay <i>zakat</i> because I feel good after paying <i>zakat</i>	Feel gooder
X48	I pay <i>zakat</i> because <i>Zakat</i> payment purifies my wealth	Purist
X49	I pay <i>zakat</i> because <i>Zakat</i> payment wipes off my sins	Sin expiator
X50	I pay <i>zakat</i> because <i>Zakat</i> payment helps me get rid of my feeling of guilt	Guilt expiator
X9	As a <i>zakat</i> payer, I have a fair knowledge of how to estimate my <i>zakat</i> liability	Knowledgeable
X10	As a <i>zakat</i> payer, I need the assistance of experts to estimate my <i>zakat</i> liability	Ignoramus
X11	As a <i>zakat</i> payer, I am not concerned about how <i>zakat</i> is utilized once I pay my <i>zakat</i> to the collection	Indolent–apathetic
X12	As a <i>zakat</i> payer, it is my responsibility to ensure that <i>zakat</i> is spent for the benefit of the poor and asnaf	Responsible
X13	As a <i>zakat</i> payer, it is my religious obligation to ensure that <i>zakat</i> is utilized properly	Accountable
X14	Who should collect <i>zakat</i> : the Central government in a country or its agency	Statist/Collectivist
X15	Who should collect <i>zakat</i> : the local/provincial government in a country or its agency	Regionalist/federalist
X16	Who should collect <i>zakat</i> : village/town committees and sub-committees	Localist
X17	Who should collect <i>zakat</i> : individuals	Individualist/anarchist
X18	Who should collect <i>zakat</i> : Muslim NGOs	Institutionalist

Code	Statement	Descriptor
X19	Who should collect <i>zakat</i> : Ulema	Ulema-loyalist
X20	Who should distribute <i>zakat</i> : the Central government in a country or its agency	Statist/collectivist
X21	Who should distribute <i>zakat</i> : the local/provincial government in a country or its agency	Regionalist/federalist
X22	Who should distribute <i>zakat</i> : village/town committees and sub-committees	Localist
X23	Who should distribute <i>zakat</i> : individuals	Individualist/anarchist
X24	Who should distribute <i>zakat</i> : Muslim NGOs	Institutionalist
X25	Who should distribute <i>zakat</i> : Ulema	Ulema-loyalist
X26	If an individual pays <i>zakat</i> , he/she should get FULL deduction in income tax payable	Return seeker
X27	If an individual pays <i>zakat</i> , he/she should get PARTIAL deduction in income tax payable	Tax saver
X28	If a business pays <i>zakat</i> , it should get FULL deduction in income tax payable	Return seeker
X29	If a business pays <i>zakat</i> , it should get PARTIAL deduction in income tax payable	Tax saver
X51	<i>Zakat</i> and taxes should not be mixed up; neither individual nor business should get ANY tax reduction for paying <i>zakat</i>	Purist
X30	<i>Zakat</i> -collecting organizations should heavily promote their campaigns to raise funds, similar to modern fund-raising organizations, through roadshows, conferences, etc.	Prodigal campaigner
X31	<i>Zakat</i> -collecting organizations should use mainstream media—newspaper, TV, Internet, etc. for advertising and fund-raising campaigns	Communicator
X32	<i>Zakat</i> -collecting organizations should avoid costly and expensive methods of creating awareness	Conformist, frugal
X33	<i>Zakat</i> -collecting organizations should use masjids ONLY for creating awareness regarding <i>zakat</i>	Traditionalist, parsimonious
X34	<i>Zakat</i> organizations must NEVER use <i>zakat</i> to cover their own administrative expenses	Skeptical

Code	Statement	Descriptor
X35	<i>Zakat</i> organizations must NEVER use more than one-eighth of <i>zakat</i> collected to cover their own administrative expenses	Cautious—compliance freak
X36	<i>Zakat</i> organizations must NEVER carry undistributed surplus <i>zakat</i> to next lunar year	Traditionalist—conservative
X37	<i>Zakat</i> organizations must NEVER invest <i>zakat</i> surplus to generate good long-term returns	Greed buster
X38	<i>Zakat</i> organizations must NEVER invest <i>zakat</i> surplus in safe and liquid avenues for a short term	Traditionalist—conservative
X39	<i>Zakat</i> organizations must be audited every year by independent financial auditors	Reckoner
X40	<i>Zakat</i> organizations must be audited every year by independent Shari'ah auditors	Shari'ah conformist
X41	<i>Zakat</i> organizations must report the figure for total <i>zakat</i> collections every month to the public	Control freak
X42	<i>Zakat</i> organizations must report the figures for <i>zakat</i> , <i>sadaqa</i> , cash <i>waqf</i> separately to the public	Shari'ah conformist
X43	<i>Zakat</i> organizations must report the category-wise distribution of <i>zakat</i> every year to the public	Information seeker
X44	<i>Zakat</i> organizations must report the project-wise distribution of <i>zakat</i> every year to the public	Information seeker
X52	<i>Zakat</i> organizations must acknowledge my contribution through a letter or a note or some other form of recognition	Recognition-seeker

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