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Behavioral Dimensions of Islamic Philanthropy: The Case of Zakat

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Title:

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Abstract

This is a study on 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. Based on their responses to a set of statements, that connote a specific motivator or trait or preference, the study uses hierarchical cluster analysis to develop psychographic profiles of individual Islamic donors or groups among them. The study hypothesizes and provides supporting evidence that Islamic donors behave less like tax-paying citizens and more as benevolent servants of their Creator while paying zakat. The study presents interesting contrasts among Islamic donors in terms of their behavioral patterns by reducing the matrix of responses 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 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 may be a key influencer of the way s/he engages in matters pertaining to faith. The paper produces evidence that would contribute to any policy dialogue in the important area of developing social finance sector in Muslim societies. Zakat constitutes an important component of the global Islamic social finance sector. The evidence in this study 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.

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Behavioral Dimensions of Islamic Philanthropy: The Case of Zakat

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1. Introduction

Zakat is a unique form of charity in Islam. For a believing and practicing high-networth 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 Shariah. In the absence of a state enforcement mechanism, however, zakat is clubbed with other forms of philanthropy that is voluntarily 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, (s)he may prefer an “individualist” scenario and self-management of zakat.

The purpose of this study is to gain a fundamental understanding of what governs the behavior of zakat-donors, – the triggers, motivators, preferences, 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 differs across countries, the study also documents and compares donor behavior for country-specific subsets of the overall sample. The rest of the paper is organized as follows. Section 2 undertakes a survey of related literature, primary in conventional and secular domain on what motivates the donors. Section 3 describes the objectives, data and methodology. Section 4 presents the findings and discusses the same. Section 5 provides a summary of the paper.

2. Prior Studies

A number of studies have been undertaken to investigate a fundamental question: “what motivates an Islamic donor to donate?” The desire to give is described by Edwards (2002) as ‘an emotional and moral response’.

The intrinsic and extrinsic motivations for charitable giving can vary from donor to donor (Sargeant & 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 believe 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. Pamala 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 (Sarah Lincoln and Joe 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 organisations 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, whilst 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, P G. (2008) argues that all giving is motivated by an array of factors. An extensive study of major donor motivation in the UK (Theresa 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-actualisation; (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 & Brooks, 2005; Burnett & Wood, 1988).

A number of studies explore the link between religiosity and charitable behavior. Religiosity has 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 Wang and Elizabeth Graddy (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. Nur Barizah Abu Bakar and Hafiz Majdi Abdul 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 towards the Muslim Ummah ; a payment towards 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 75-90 percent) 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 towards 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 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 towards 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 for 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.

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 seeking 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, preferences of Islamic donors and their own individual traits - piety, benevolence, vigilance, accountability, responsibility, ability to trust, penchant for details, apathy, indolence, 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.

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 individuals. 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 (Kroemker,2004) 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 0’s and 1’s.

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 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.

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” (see table 1) as the related statements elicit maximum responses. The significance seems to be relatively lower for zakat-payers from Nigeria.

Table 1: Servitude to God

Statement(s)	Total Sample	India	Nigeria	Malaysia
it is compulsory 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

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

Table 2: Purification and Expiation

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

Table 2: 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 zakat helps the poor and makes a difference to the society	44	39	10	57

“Benevolence and concern for the poor and the needy” motivates 63 percent of respondents and 44 percent pay zakat to an organization because it can help the poor and make a difference to the society. Further, their “affinity” with potential beneficiaries motivates 33 percent 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 meagre 27 percent say they pay zakat to an organization because it helps a cause dear to his/her heart. This percentage is unusually low at 5 percent for Nigeria, 30 percent for India and 40 percent for Malaysia.

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

“Self-recognition” is a motivator for a little more than one-third of respondents. 37 percent 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 percent, 64 percent and 31 percent respectively for Nigeria, India and Malaysia.

Zakat payers may not be motivated significantly by immediate returns in the form of “tax benefits”. It is a motivator for a mere 17 percent of the respondents and elicits almost zero response in Nigeria and India. It is however, a significant motivator in a country like Malaysia. The overall picture may be biased due to 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 percent 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 percent and in Nigeria at a more modest 29 percent. 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 percent 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 percent in India and extremely low at 17 percent in Malaysia; arguably for reasons cited above.

Table 3: Tax benefits

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

“Compliance with dictates of the state” does not appear to be a significant motivator as only 12 percent acknowledge they pay zakat because it is compulsorily required by the state, even when the sample includes countries like Malaysia, Saudi Arabia, Pakistan that have mandated zakat to be compulsory. Predictably the ratio is higher at 33 percent 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 meagre 7 percent in Nigeria (zakat is compulsorily 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 percent of respondents feel that the central government should collect and distribute zakat. Similarly, 34 percent feel that the provincial government should collect zakat and a higher percent (40 percent) 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 are reported for Islamic donors from Malaysia. Preferences from Nigeria are similar to India, albeit less intense.

Table 4: Role of State, Non-State Actors in Zakat Collection/ Distribution

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

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 percent asserting that they have a fair knowledge of how to estimate their zakat liability. 27 percent need professional advice and assistance. A high 46 percent 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 percent however, display extreme apathy, indolence and indifference and say they are unconcerned about how zakat is utilized once the obligation to pay is over. Is there a pattern too in the country-specific responses?

Table 5: Responsibility and Accountability

Statement(s)	Total Sample	India	Nigeria	Malaysia
have fair knowledge of how to estimate my zakat liability	67	81	67	55
need the assistance of experts to estimate my zakat liability	27	21	20	47
not concerned about how zakat is utilized once I pay my zakat to the collection	14	10	9	27

own responsibility to ensure that zakat is spent for the benefit of the poor and asnaf	46	69	36	37
a religious obligation to ensure that zakat is utilized properly	46	64	27	38

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 percent of Malaysian Islamic donors compared to 10 percent and 9 percent of Islamic donors from India and Nigeria respectively does indicate “apathy” and “indifference” as being the reason for seeking expert assistance.

Table 5: 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	50	31	47	70
avoid costly and expensive methods of creating awareness	48	60	40	40
use masjids only for creating awareness regarding zakat	16	24	7	10

Islamic donors clearly feel that the zakat collecting organizations should heavily promote their campaigns to raise funds, similar to modern fundraising organizations, through roadshows, conferences etc. (42 percent) and use mainstream media – newspaper, tv, internet etc for advertising and fundraising campaigns (50 percent). An equally large number of respondents (48 percent) feel that they should avoid costly and expensive methods of creating awareness. Only a meagre 16 percent believe that they should use masjids alone for creating awareness regarding zakat. Indian zakat donors tend to be far more frugal than their Nigerian and Malaysian counterparts with 60 percent preferring a cautious approach and avoidance of promotional methods

that cost money. Malaysian zakat donors (77 percent) 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 percent in favor of promotion and some even opting for the traditional use of masjid for creating public awareness about zakat.

Table 6: Conservatism/ Caution

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

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 percent entirely ruling this out and 48 percent opting for the standard practice of permitting zakat organizations to use up to one-eighth of zakat collected to cover their own administrative 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 percent 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 percent 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. 52 percent feel that the entire cost should be absorbed by non-zakat funds and 57 percent 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 percent rejecting this possibility. The corresponding percentage for India is 48 percent.

Table 7: Governance

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

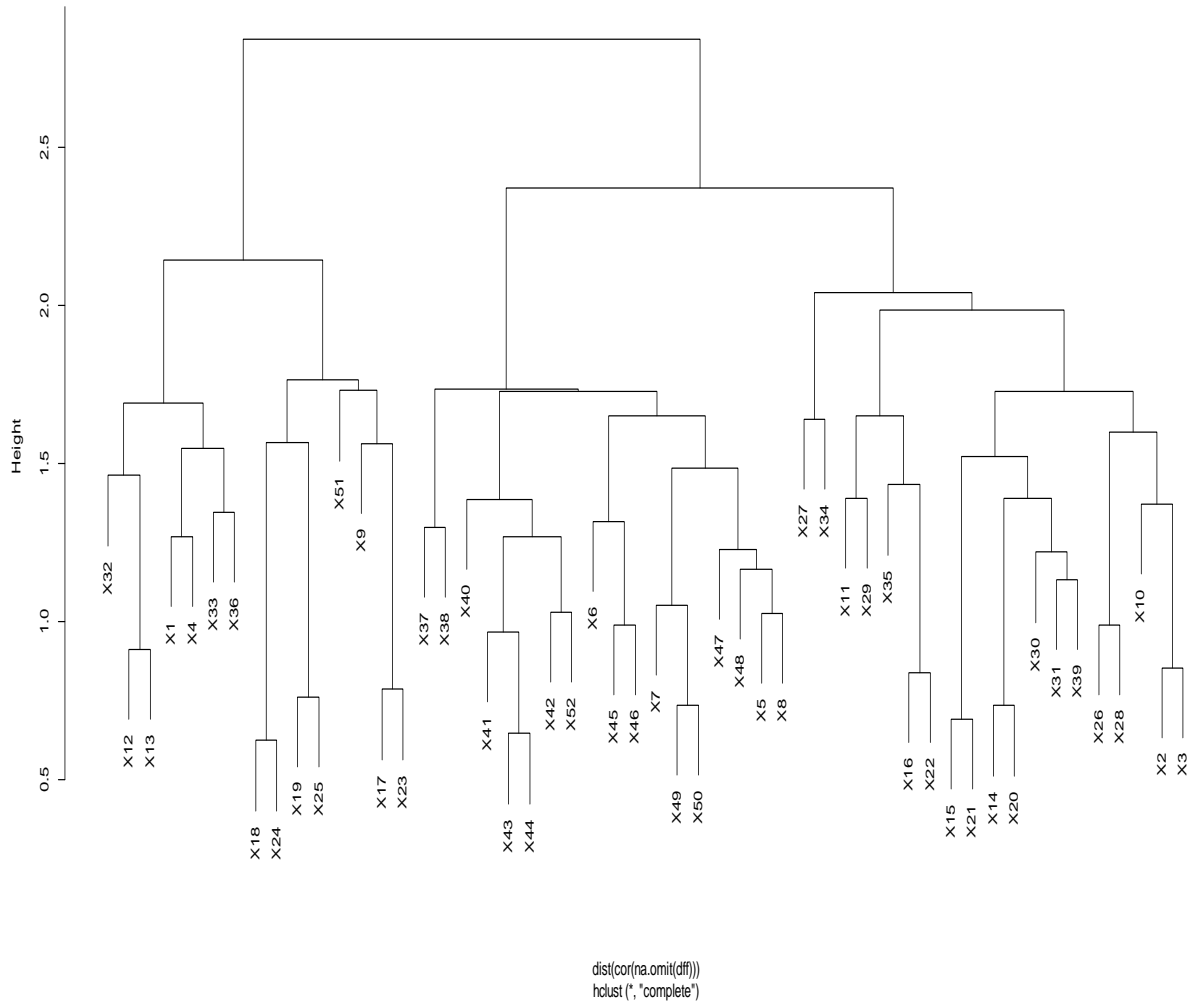
Individual zakat donors place a lot of value on “audit” with 58 percent opting for mandatory and independent financial audit and 65 percent for Shariah audit. 40 percent seem to be avid seekers of information requiring that organizations must report the figure for total zakat collections every month 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 percent). 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, Shariah audit, information-sharing and good governance practices may thus, be explained in terms of the impact of these environmental differences on the Islamic donors’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 dendogram presented in Figure 1 we identify three distinct clusters as follows.

Cluster Dendrogram



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: Shariah-conformist, x41: control-freak, x43: information- seeker, x44: information-seeker, x42: Shariah-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-apatetic, 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

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 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 Shariah compliance, especially on the fulfillment of Shariah 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 towards 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.

5. Summary and 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, 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 a 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 turn-around 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.

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Appendix 1: List Statements and Descriptors

Code	Statement	Descriptor
X1	I pay zakat because it is a religious obligation for me	Religious-dutiful
X2	I pay zakat because I save on my income tax	Tax-Saver
X3	I pay zakat because it is compulsorily required by the state	Statist/ Law-abiding
X4	I pay zakat because it is compulsory mandated by God SWT	God's-Servant
X5	I pay zakat because I must help the poor and the needy	Do-Gooder
X6	I pay zakat because my zakat may be utilized for propagation of Islam	Propagator-of-faith
X7	I pay zakat because my relatives and near and dear ones seek my financial help	Affinity-seeker
X8	I pay zakat because God SWT is pleased with those who help His creation	God's-pleasure-seeker
X45	I pay zakat because organization receiving my zakat helps the poor and makes a difference to the society	Reformist
X46	I pay zakat because organization receiving my zakat helps a cause that is dear to my heart	Change-Agent
X47	I pay zakat because I feel good after paying zakat	Feel-gooder
X48	I pay zakat because Zakat payment purifies my wealth	Purist
X49	I pay zakat because Zakat payment wipes off my sins	Sin-Expiator
X50	I pay zakat because Zakat payment helps me get rid of my feeling of guilt	Guilt-Expiator
X9	As a zakat payer I have a fair knowledge of how to estimate my zakat liability	Knowledgeable
X10	As a zakat payer I need the assistance of experts to estimate my zakat liability	Ignoramus

X11	As a zakat payer I am not concerned about how zakat is utilized once I pay my zakat to the collection	Indolent-Apathetic
X12	As a zakat payer it is my responsibility to ensure that zakat is spent for the benefit of the poor and asnaf	Responsible
X13	As a zakat payer it is my religious obligation to ensure that zakat is utilized properly	Accountable
X14	Who should collect zakat: the Central government in a country or its agency	Statist / Collectivist
X15	Who should collect zakat: the local/ provincial government in a country or its agency	Regionalist/ Federalist
X16	Who should collect zakat: village/ town committees and sub-committees	Localist
X17	Who should collect zakat: individuals	Individualist/ Anarchist
X18	Who should collect zakat: Muslim NGOs	Institutionalist
X19	Who should collect zakat: Ulema	Ulema-loyalist
X20	Who should distribute zakat: the Central government in a country or its agency	Statist/ Collectivist
X21	Who should distribute zakat: the local/ provincial government in a country or its agency	Regionalist/ Federalist
X22	Who should distribute zakat: village/ town committees and sub-committees	Localist
X23	Who should distribute zakat: individuals	Individualist/ Anarchist
X24	Who should distribute zakat: Muslim NGOs	Institutionalist
X25	Who should distribute zakat: Ulema	Ulema-loyalist
X26	If an individual pays zakat, he/she should get FULL deduction in income tax payable	Return-seeker
X27	If an individual pays zakat, he/she should get PARTIAL deduction in income tax payable	Tax-saver
X28	If a business pays zakat, it should get FULL deduction in income tax payable	Return-seeker
X29	If a business pays zakat, it should get PARTIAL deduction in income tax payable	Tax-saver
X51	Zakat and taxes should not be mixed up; neither individual nor business should get ANY tax reduction for paying zakat	Purist
X30	Zakat collecting organizations should heavily promote their campaigns to raise funds, similar to modern fundraising organizations, through roadshows, conferences etc.	Prodigal-Campaigner
X31	Zakat collecting organizations should use mainstream media – newspaper, tv, internet etc for advertising and fundraising campaigns	Communicator
X32	Zakat collecting organizations should avoid costly and expensive methods of creating awareness	Conformist, Frugal
X33	Zakat collecting organizations should use masjids ONLY for creating awareness regarding zakat	Traditionalist, Parsimonious
X34	Zakat organizations must NEVER use zakat to cover their own administrative expenses	Skeptical
X35	Zakat organizations must NEVER use more than one-eighths of zakat collected to cover their own administrative expenses	Cautious - Compliance-freak

X36	Zakat organizations must NEVER carry undistributed surplus zakat to next lunar year	Traditionalist – Conservative
X37	Zakat organizations must NEVER invest zakat surplus to generate good long-term returns	Greed-buster
X38	Zakat organizations must NEVER invest zakat surplus in safe and liquid avenues for a short-term	Traditionalist – Conservative
X39	Zakat organizations must be audited every year by independent financial auditors	Reckoner
X40	Zakat organizations must be audited every year by independent Shariah auditors	Shariah-Conformist
X41	Zakat organizations must report the figure for total zakat collections every month to the public	Control-freak
X42	Zakat organizations must report the figures for zakat, sadaqa, cash waqf separately to the public	Shariah-conformist
X43	Zakat organizations must report the categorywise distribution of zakat every year to the public	Information-seeker
X44	Zakat organizations must report the projectwise distribution of zakat every year to the public	Information-seeker
X52	Zakat organizations must acknowledge my contribution through a letter or a note or some other form of recognition	Recognition-seeker