



Islamic Financial Institutions' Preferences for Paying Zakat Through Zakat Institutions

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Abstract. Islamic Financial Institutions (IFIs) are companies that applying syariah rules on their activities. So, the likelihood of IFIs to pay zakat is high. Unfortunately, the realization of IFIs' zakat payment is below its potential amount. This research aims to identify the preferences of IFIs for paying zakat through zakat institutions. This study used a quantitative approach that applied the Likert scale to the questionnaire. Six variables and 20 indicators were created to identify the IFIs' preferences for paying zakat through zakat institutions. The findings indicated that IFIs preferred electronic mail as zakat institutions' promotional media. In terms of payment channels, using a virtual account was preferable. However, IFIs preferred face-to-face consultation to a virtual one. Surprisingly, IFIs did not consider zakat deduction as the highest benefit of paying zakat. This study convinced that government zakat institution was preferable to distribute IFIs' zakat funds. Lastly, IFIs expected zakat institutions to publish an audited financial report based on national accounting standards. This study suggests that zakat institutions implement digital technology in their fund collection strategy, yet offer a conventional method for consultation services. Generating audited financial reports based on national accounting standards is crucial for zakat institutions.

Keywords: Islamic Financial Institution (IFI) · preferences · zakat

1 Introduction

As part of Islamic pillars, zakat is not only a religious issue but also concerns the socio-economic matter. Zakat is an effective instrument to distribute income from the wealthy to the poor. It is hope that the implementation of zakat in Indonesia may reduce poverty. As a consequence, zakat needs to professionally managed. A previous study shows that role of zakat organizations was crucial during the corona pandemic (Hudaefi et al. 2021). As the importance of zakat organizations' role in Indonesia, improving strategy in fundraising programs may help to optimize their performance.

Not only Muslim individuals, companies are potential donators as well. Companies can distribute their zakat and alms via zakat institutions. However, according to the National Zakat Institution/Badan Amil Zakat Nasional (BAZNAS), in 2020, zakat fund collection was only 3,8% of its potential total amount. Of the collected fund, the contribution from corporate zakat was only 3%. It was seen that the amount of corporate zakat

should have grown larger (Puskas BAZNAS, 2021). Zakat institutions need to improve their strategy to collect more amount of zakat and alms from companies. Study from (Stanley & Pamela, 2017) stated when there were potential donors, the Non-For-Profit Organizations (NPO) should consider their preference to get their trust. The BAZNAS center of strategic studies/Pusat Kajian Strategis BAZNAS (PUSKAS BAZNAS) has conducted a survey in 2021 to identify companies' preference for paying zakat fund. Unfortunately, the survey did not include Islamic finance institutions (IFI).

IFIs are companies that operate their activities based on sharia principles. They regularly present their zakat report as part of their financial statement. The realization of zakat of IFIs in Indonesia ranged from 32 billion to 31 billion from 2013 to 2017. Furthermore, during that year, among 11 IFIs listed on Financial Service Authority (OJK), only seven IFIs consistently paid their zakat fund (A'yun, 2018). It was seen that IFIs' zakat realization did not reach its optimum amount. To maximize IFIs' zakat payment, zakat institutions need to consider IFIs' preferences for paying zakat and alms. The aim of this study is to identify IFIs' preferences for paying zakat and alms through zakat institutions. As a result, zakat institutions can ameliorate their fundraising strategy to gain IFIs' trust.

2 Literature Review

2.1 Background Theory

Islamic Financial Institution in Indonesia

Emerging of Islamic Financial Institution (IFI) in Indonesia started in 1998 when the government established Bank Act No.10-year 1998. The Act allowed commercial banks to set up Syariah units to apply the Syariah principle to their operational activities. As a result, since 1999, the number of Islamic banks and non-bank Syariah financial institutions steadily increase (Marimin & Romdhoni, 2017). IFIs are classified to Islamic banks and non-Bank-IFIs. The latter consists of Syariah Insurance, Syariah Pawnshop, Syariah Cooperation, and Baitul Maal wat Tamwil (BMT).

As the IFIs conduct their operational activities based on Syariah principles, it is relevant for them to implement corporate zakat. The zakat potential of IBs was at 56 billion rupiahs in 2013. Unfortunately, the realization of corporate zakat from Islamic Banks (IBs) decreased from 32 billion in 2013 to 31 billion in 2017. On the other hand, the number of IBs grew from 10 IBs in 2013 to 13 IBs in 2017 (A'yun, 2018; A. Andriani et al., 2016). Those studies show that the realization of corporate zakat from IBs is not in optimum condition. The reason for that phenomenon is probably because IBs' trust in the zakat organization affects the amount of their zakat distribution.

The financial report of IFI set by the Indonesian Accountant Association / Ikatan Akuntan Indonesia (IAI) on Syariah Accounting Financial Standard/Pernyataan Standar Akuntansi Keuangan Syariah No. 101 (PSAK Syariah no. 101). The standard stated that a complete set of the financial report of IFI consists of seven elements (IAI, 2018). They are a statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, notes to financial statements, statement of sources and distribution of zakat funds, statement of sources and distribution of qardhul hasan funds. The purpose of the last two reports were to

present IFIs' social responsibilities, so that customers understand to what extent IFIs implement social activities. The standards on Islamic social reporting by IAI expressed support system on corporate zakat implementation in Indonesia.

Compared to Malaysia, the same view of the importance of IFI financial report revealed. A study stated that the need for comprehensive accounting standards on corporate zakat obligation in Malaysia increased as the rise of companies' awareness to fulfill their obligation (Abu Bakar, 2007). Another study argued that there was a misconception in the implementation of corporate zakat in Malaysia, specifically in the aspect of recognition, measurement, and presentation of the financial report (Akhyar Adnan & Barizah Abu Bakar, 2009). Syariah financial institution should be good role models in the implementation of corporate zakat.

Zakat Institution Management in Indonesia

Management of zakat institutions in Indonesia brought to light after the establishment of Zakat Act No.23, year-2011. Support from the government allows the zakat institution to choose whether they want to directly stand under the government authority or to privately manage their activities. The former is known as BAZNAS and zakat management unit / Unit Pengelola Zakat (UPZ), and the latter is called zakat charity chamber/Lembaga Amil Zakat (LAZ). The role of the Zakat institution in Indonesia is vital. It generally accepted that zakat institutions existed as a support system to reach the independence of Indonesia. Furthermore, after wartime, zakat institutions helped to apply better wealth distribution (Alawiyah, 2013; Fauzia, 2017).

The development of zakat institutions in Indonesia might affect people's trust. A recent study proved that zakat organizations have drastically adapted to the pandemic problem by improving their fund collection instrument. Not only having a virtual account for the muzaki, but they also provide a virtual fundraising platform for the easiness of paying zakat. Moreover, during the corona pandemic, the average amount of zakat collection in the specific province increased. The economic recession during the pandemic did not negatively affect the zakat institution's fund collection. (Andriani and Nurhidayati, 2021).

The zakat institutions can also increase their performance by presenting a financial report under the accounting standard, PSAK N0.109. The standard guarantee that the presentation of a financial statement based on it will improve transparency and accountability of the zakat institution (Ikatan Akuntan Indonesia, 2017). Furthermore, the degree of accountability will increase when zakat institutions publish an audited financial statement (Lobo & Zhao, 2013). Consequently, people's trust in zakat institutions will increase.

Implementation of Corporate Zakat

Zakat is mentioned repeatedly in the Qur'an, at least up to 30 times, 27 of which are delivered in conjunction with the prayer (shalat) orders (Al Qardawi, 2007). It shows that zakat is as important as prayer (shalat) in Islam. The obligation of zakat arises as a medium to purify property owned by individual Muslims from other Muslim rights. In the terminology of the Quran and sunnah, zakat is defined as property that must be spent in the way of Allah (Usmani and Imran; Qazi, B. A. , 2010).

In the view of Fiqh scholar, zakat obligation on Muslim individuals perceived. However, zakat obligation to companies is debatable. According to Act No.23. Years 2011, muzaki or zakat payer is classified as individual muzaki and companies(UU No.23 Tentang Zakat, 2011). However, regulation on corporate zakat in Indonesia is lacking, while corporate zakat implementation is not in optimum condition (Andriani & Mairijani, 2019).

A variety of economic activities rapidly grow in the world. As some of the economic activities did not exist in the time of Rasulullah, arguments emerged on corporate zakat implementation. Qur'an and Sunnah stated that zakat is a spiritual connection between human and God, so some scholars agree that human asset has to be maintained. Consequently, taking part of the assets without considering direct rules by Allah and Rasulullah is not allowed. On the other hand, other Islamic intellectuals agree that companies are obliged to pay zakat. The first Islamic Conference in Kuwait agreed that corporates are obliged to pay zakat when meeting some conditions:

1. The rule stating that corporate zakat is mandatory in the country exists.
2. The company's Charter stated that the company is obliged to pay zakat.
3. A general meeting of shareholders decided that paying zakat is mandatory for the company.
4. Shareholders agree to let the board of directors pay zakat on behalf of the shareholders (Hafidhuddin, 2003).

2.2 Previous Study

A previous study on muzaki's preference for paying zakat funds was conducted several times. Most of the studies included individual Muslims as respondents. A study found that good amil governance is the main factor that influenced muzaki for paying the zakat fund (Mairijani; Budiman, 2021). Another study found that knowledge, trust, subjective norms, perceived behavioral control, and perceived ease of use are factors that influence people to pay zakat through zakat institutions (Annahl et al. 2021). Unfortunately, study on companies' preferences for paying zakat in Indonesia rarely conducted. As discussed in the previous chapter, zakat potential from companies is far higher than the realization. Furthermore, the same phenomenon also seen in IFIs zakat realization. A survey from Strategic Study Center BAZNAS (PUSKAS BAZNAS) in 2021 included 60 companies from several sectors located in Jakarta, Bogor, Depok, Tangerang, and Bekasi (JABODETABEK). PUSKAS BAZNAS conducted this survey to identify companies' preferences for paying zakat funds using four dimensions. Those dimensions were constructed by professionals in the zakat field during Focus group Discussion (FGD) managed by PUSKASBAZNAS (Puskas BAZNAS, 2021). The four dimensions are the preference for a medium of socialization and campaign, preference for zakat payment channel, preference for consulting services, and lastly preference for zakat payment benefit. Additionally, from the four dimensions, 15 variables were constructed to identify companies' preferences for paying zakat through zakat institutions (Puskas BAZNAS, 2021). The result of the study stated that zakat institutions need to use social media such as a poster or short videos to attract companies paying zakat through zakat institutions. Additionally, virtual payment media was preferred to direct payment. Face-to-face consultation service was preferred to virtual communication. Lastly, companies

prefer that their logos displayed on zakat institutions' social activities. A study from PUSKAS BAZNAS also found that BAZNAS was the top-of-mind zakat institution followed by the private institutions.

2.3 Conceptual Framework

In the previous study by PUSKAS BAZNAS, companies' preferences for paying zakat through zakat institution did not include Islamic financial Institutions (IFIs). This study included IFIs as IFIs explicitly stated that their activities based on Syariah rules. So, the likelihood of this industry pay zakat is high. Study from PUSKAS BAZNAS used four variables, while this study added two other variables.

Figure 1 illustrates that IFIs' preference for paying zakat funds through zakat institution can be identified using six variables, they are medium of socialization and campaign, zakat payment channel, medium of consulting services, zakat payment benefit, type of zakat institution, and zakat institutions' financial report. We included the type of zakat institution as the previous study stated that BAZNAS was the top-of-mind zakat institution. This study explored the intention of IFIs to choose the type of zakat institution to distribute their zakat funds, whether IFIs prefer the Government zakat institution or the private one. Additionally, the zakat institutions' financial report was included, because this variable can improve accountability and transparency of zakat institutions (Akhyar Adnan et al., 2009; M. Andriani & Mairijani, 2018; Breen et al., 2018).

3 Methodology

3.1 Data

Data was collected by spreading questionnaires using an online and offline platform. The questionnaire was constructed using six variables presented in Fig. 1. The variables are then outlined in 20 indicators. 15 of them were adopted from specific previous study. This study added the remaining five indicators by reading related research under scrutiny. Each indicator was measured using Likert-scale ranging from 1 (strongly disagree) to 5 (strongly agree). Likert -scale was used to get better understanding on respondents' opinion. Rather than multiple choice, Likert-scale can explain respondents' intention better. Likert-scale able to provide high reliability of person's estimation (Nemoto & Beglar, 2013). Table 1 presented the variables and indicators used in this study.

This study used a purposive sampling technique to get selected respondents that meet the characteristic. The characteristic was the Islamic financial institutions (IFI) that exist in and around Banjarmasin (South Kalimantan Province). South Kalimantan was chosen as the research location because this province is known as a religious area. More than 90% of the South Kalimantan population is Moslem (Wikipedia, n.d.). Furthermore, a study found that the religiosity of South Kalimantan people was strongly related to prosperity level (Sadewa et al., 2015). The high level of religiosity of South Kalimantan people indicated that the acceptance of IFIs in this province was also high.

In addition, an electronic interview with Financial Service Authority / Otoritas Jasa Keuangan (OJK) regional IX was conducted to gather information on IFIs in South

Table 1. Variables and indicators

| No | Variables | No | Indicators | Adopted from |
|----|---|----|--|--|
| 1 | Preference for medium of socialization and campaign | 1 | Electronic mail | PUSKAS BAZNAS, 2021 |
| | | 2 | Talkshow/Event | |
| | | 3 | Social media/Poster/short video | |
| | | 4 | Website | |
| 2 | Preference for payment channel | 5 | Cash payment | |
| | | 6 | Bank Account/Virtual Account | |
| | | 7 | Pick up service | |
| 3 | Preference for consulting service | 8 | Telephone | |
| | | 9 | Electronic mail | |
| | | 10 | Face to face | |
| 4 | Preference for zakat benefit | 11 | Companies' logo displayed on the event of zakat institution. | |
| | | 12 | Logo of zakat compliance on the companies' product | |
| | | 13 | Social program synergy | |
| | | 14 | Networking opportunities | |
| | | 15 | Tax deduction | |
| 5 | Preference for type of zakat institution | 16 | Government zakat institution (Baznas) | (Beik & Arsyianti, 2012; Owoyemi, 2020) |
| | | 17 | Private Zakat Institution | |
| | | 18 | Direct distribution to the beneficiaries | |
| 6 | Preference for zakat institutions' financial report | 19 | Financial report based on Psak 109 along with detailed activity report routinely. | (Adiwijaya & Suprianto, 2020; Lobo & Zhao, 2013) |
| | | 20 | Audited Financial report based on Psak 109 along with detailed activity report routinely | |

Table 2. IFIs Sample Respondents

| Region Type of IFIs | Banjarmasin | | Banjarbaru | | Martapura | | Total initial data |
|--------------------------------------|-----------------------------------|------------|--------------|------------|--------------|------------|--------------------|
| | Initial data | Final Data | Initial data | Final Data | Initial data | Final Data | |
| BUS (include UUS) | 19 | 11 | 3 | 2 | 4 | 1 | 26 |
| Sariah cooperation and BMT | 21 <i>10 : no longer exist</i> | 4 | NA | NA | NA | NA | 21 |
| Syariah Insurance | 6 | 2 | 0 | 0 | 0 | 0 | 6 |
| Syariah Pawnshop | 5 | 3 | 1 | 0 | 1 | 0 | 7 |
| Total initial data | 51 | | 4 | | 5 | | 60 |
| Final data (After reduction process) | | 20 | | 2 | | 1 | 23 |

Kalimantan. Initial information was also gathered from the websites of the Ministry of Cooperation and Small and Micro Enterprises. The initial investigation resulted in 60 Islamic Banks and Non-Bank IFIs in Banjarmasin and the two closest cities, namely Banjarbaru and Martapura. Further selection results in 23 IFIs that agree to be respondents. Detailed data reduction process is illustrated in Table 2.

After the 23 IFIs met the characteristic of respondents, the next step was to appoint an eligible person to fill out the questionnaire. The eligible person to fill in the questionnaire was the manager of IFIs. However, when the manager was not available, he was expected to delegate it to his staff whose job description is to manage zakat and alms in the companies.

3.2 Model Development

This study mainly utilized the model from PUSKAS BAZNAS in identifying the preference of companies for paying zakat through zakat institutions. Four variables from PUSKAS BAZNAS included medium of socialization and campaign, zakat payment channel, consulting services, and zakat payment benefit. Furthermore, the indicators from PUSKAS BAZNAS were explored under scrutiny to get relevant supporting studies.

Two variables were added in the model, namely the type of zakat institution and zakat institutions' financial report.

3.2.1 Medium of Socialization and Campaign

The Non-For-Profit Organizations (NPO) highly dependent on donators is perceived. Consequently, NPOs need to apply strategy to get potential donors (Waters et al., 2009). Campaigning their social activities is an effective way to reach potential donors. The use of social media is the most effective campaigning strategy during pandemic

(Nageswarakurukkal et al., 2020). Another campaigning form also need to be considered such as, website development and talk show/event (Puskas BAZNAS, 2021). Furthermore, electronic mail also considered as fundraising tool (Lake, 1996). Subsequently, four indicators outlined as follow: electronic mail, talk show / event, social media/poster/short video, websites.

3.2.2 Zakat Payment Channel

Providing easiness for donators is quite an important factor. Furthermore, in the digital era, NPOs have to adapt to technology and provide friendly tools in their fundraising strategy (Ninglasari & Muhammad, 2021). Another study stated that easy access to making online payment highly influence people's intention to pay zakat online (Kasri & Yuniar, 2021). However, a study from (Andriani, Sadewa, et al., 2021) mentioned that some people still enjoyed the traditional method of fundraising whether by pick-up service or directly paying cash to the zakat institution. Therefore, three indicators are outlined as follows: pick-up service, virtual account/bank account, cash payment.

3.2.3 Consulting Service

Zakat consulting service is necessary for helping both donators and recipients. Knowledge of basic information on zakat is important (Ab Rahman et al., 2019). A study stated that religious knowledge and intention to pay zakat have a strong relation (Saad et al., 2016). Another study stated that to reach higher potential donators, the zakat institution should apply some strategies. One of the strategies was the zakat consultation service (Mujiatun, 2018). As well as in Indonesia, the Malaysian Zakat Collection Centre (PPZ) suggest that zakat institutions provide consultation service (Sao et al., 2014). Concerning those studies, IFIs' preferences for the type of zakat consulting service were described as follows: Face to face consulting service, electronic mail consulting service, and Telephone consulting service.

3.2.4 Zakat Benefit

The spiritual benefit of zakat is perceived. However, zakat was also benefit from the material view. Some studies presented that companies enjoyed tax deduction as a benefit from zakat payment (Obaidullah, 2016; Sheriff Muhammad Ibrahim, 2015). In addition, this study adopted five indicators from PUSKAS BAZNAS namely tax deduction, companies' logos on the event of zakat institutions, companies' logos on the zakat institutions' product, social program synergy, and networking opportunities (Puskas BAZNAS 2021).

3.2.5 Type of Institution Distributing Zakat

Zakat institutions in Indonesia are classified into two types, they are government zakat institutions and private zakat institutions (Beik & Arsyianti, 2012). On the other hand, zakat payers may consider directly paying zakat to the beneficiaries as the problem of trust in the zakat institutions exist (Owoyemi, 2020). Additionally, three indicators of this

variable are described as follows: government zakat institution, private zakat institution, and directly pay to the beneficiaries.

3.2.6 Zakat Institutions' Financial Report

A study from (Adiwijaya & Suprianto, 2020) stated that to be a good corporate governance institution, a zakat institution needs to present a financial report. Furthermore, a study by (Andriani, 2019) stated that to present an accountable and transparent financial report, zakat institutions in Indonesia should comply with accounting Standard (PSAK) no.101 and PSAK 109. (Lobo & Zhao, 2013).

stated that theoretically, some scholars agree that the likelihood of financial statement error will decrease when the report is audited, it is convinced that an audit help to increase the value of a financial report by reducing misstatement. Therefore, this study outlined two indicators for the IFIs' preference for Zakat institutions' financial reports. The first indicator was the financial report under PSAK 109 along with a detailed activity report routinely. The next indicator was an audited financial report under PSAK 109 along with a detailed activity report routinely.

3.3 Method

The indicators from PUSKAS BAZNAS were not tested in this study as they passed the validity and reliability test on the previous survey (Puskas BAZNAS, 2021).

Additionally, the two additional questions (variable numbers 5 & 6) in this research were tested for their validity and reliability using the Cronbach alpha test. The score of the R table for 23 respondents and the probability of 0,05 was checked by looking at N-2. The final R table scored at 0.433, then compared with the corrected item-total correlation. The test result showed that two indicators in the initial questions were not valid nor reliable so the indicators were removed. The removed indicators were as follows: zakat institutions made by the IFIs (from variable five). The next removed indicator was an unstandardized financial report along with the activity report (from variable six).

The result of the Cronbach alpha test after removing the invalid and unreliable indicators is illustrated in Fig. 2.

The respondents' answers were scored using a Likert scale, ranging from one (strongly disagree) to five (strongly agree). Additionally, the average score of the Likert scale was analyzed to identify the IFIs' preference for paying zakat funds through the zakat institutions.

4 Results and Analysis

4.1 Respondents' Demographic Characteristic

The IFIs' Demographic characteristics are illustrated in Fig. 3. The IFIs were mainly from Islamic banks at 61%. The rest of the IFIs were coming from Syariah Cooperation/BMT, Syariah Pawnshop, and Syariah Insurance ranging at 17%, 13%, and 9% respectively.

Furthermore, respondents' demographic characteristic based on their position in the companies is illustrated in Fig. 4. It is seen that the respondent's position is dominated by managers followed by staff, vice chairman/secretary, and supervisor.

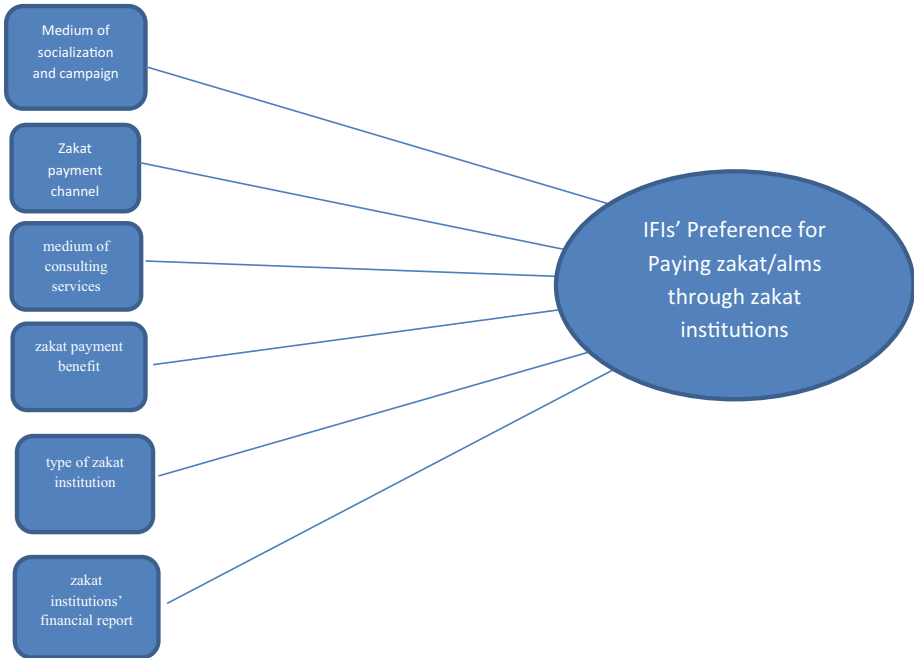


Fig. 1 .

Item-Total Statistics

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|----------|----------------------------|--------------------------------|----------------------------------|------------------------------|----------------------------------|
| VAR00025 | 16.2174 | 8.996 | .832 | .751 | .776 |
| VAR00026 | 16.3478 | 11.964 | .640 | .515 | .838 |
| VAR00028 | 16.8696 | 9.755 | .526 | .421 | .885 |
| VAR00029 | 15.8261 | 11.059 | .776 | .890 | .807 |
| VAR00030 | 15.7826 | 10.451 | .718 | .865 | .812 |

Fig. 2. Cronbach Alpha test result

4.2 Results and Analysis on the IFIs' Preference for Medium Socialization or Campaign

It is seen from Fig. 5 above that the respondents mostly prefer zakat institutions to use electronic mail as a medium of sharing information, followed by social media, websites, and lastly talk shows/events. The result of this study is slightly different from the previous study by PUKAS BAZNAS, where the respondents mostly preferred social media/posters/short videos while electronic mail got the lowest score. The time of conducting the survey is probably the reason for this difference. The previous study was conducted during the corona pandemic when most people were instructed to stay at home, consequently, people had more time to interact with social media. Furthermore,

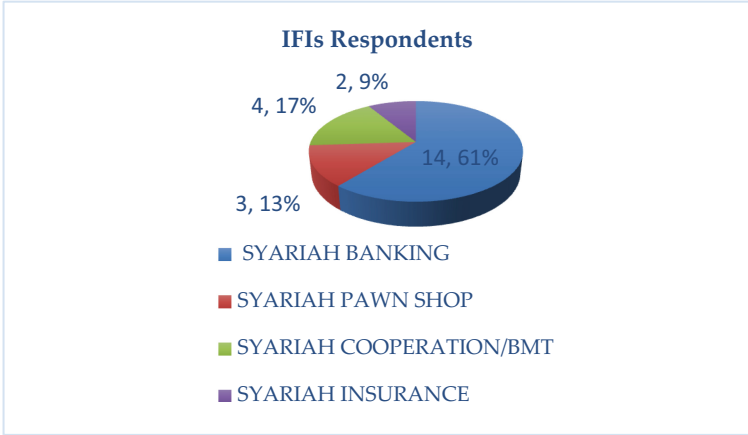


Fig. 3. Respondents based on type of IFI

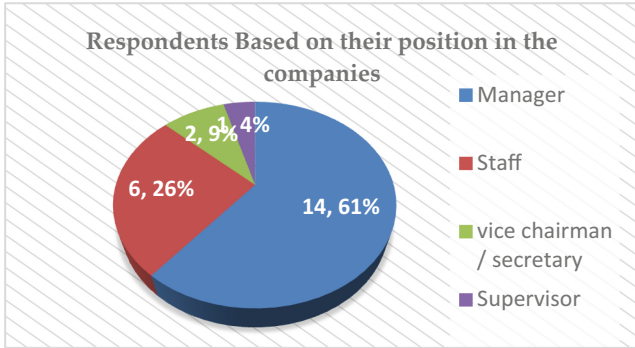


Fig. 4. Respondents based on their job position

the study by (Nageswarakurukkal et al., 2020) stated that social media was the most effective campaigning method during the pandemic. As this study was conducted in 2022 when the pandemic barely happened, people are back to normal life. Additionally, during working hours most people are now staying in the office, so probably less time to interact with social media. People may prefer electronic mail as it is a formal way to inform important matters. This result confirms a study that electronic mail is an effective tool in fundraising (Lake, 1996). However, in this study, social media was placed in second place preferred by the respondents. It is interpreted that the effectiveness of social media is still continuous after the pandemic.

4.3 Results and Analysis on the IFIs' Preference for Payment Channel

The illustration in Fig. 6 above describes that the respondents preferred to donate money by using a bank account or using a virtual account. Rather than the face-to-face method, transferring money seems to be a more favorable way of donating money as it provides

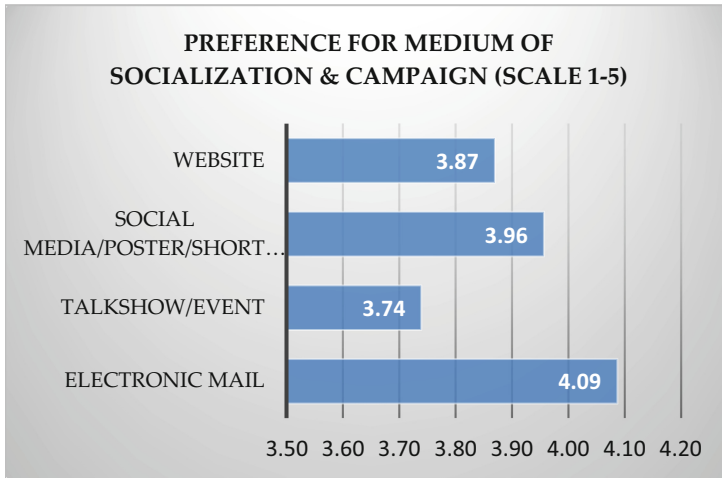


Fig. 5. Result of the preference for medium of socialization and campaign

easiness and convenience for donators. Moreover, during the pandemic, there were no opportunities for people to meet each other (Datta & Nwankpa, 2021) so transforming socio-economic operations into a digital method was preferred. This result confirmed the previous study by PUSKAS BAZNAS that the virtual method of donating money was the preferable payment channel.

4.4 Results and Analysis on the IFIs' Preference for Consulting Service

Figure 7 above shows that in terms of consulting services, the respondents prefer to directly meet the counselors from the zakat institutions. This study confirmed the previous study by PUSKAS BAZNAS that companies prefer to have direct consultation

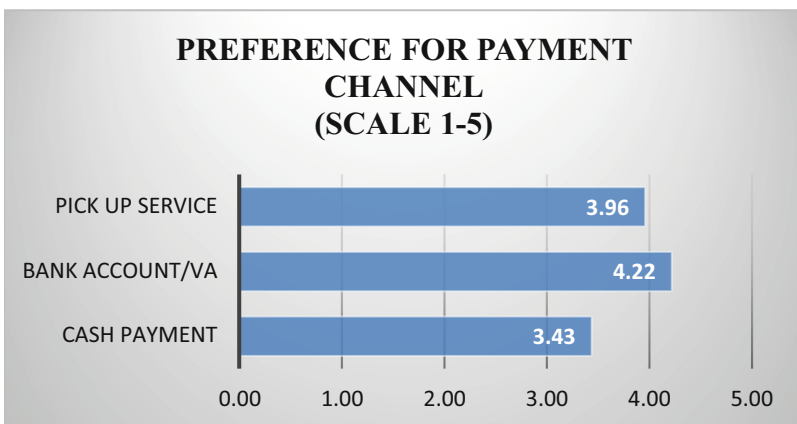


Fig. 6. Result of the preference for payment channel

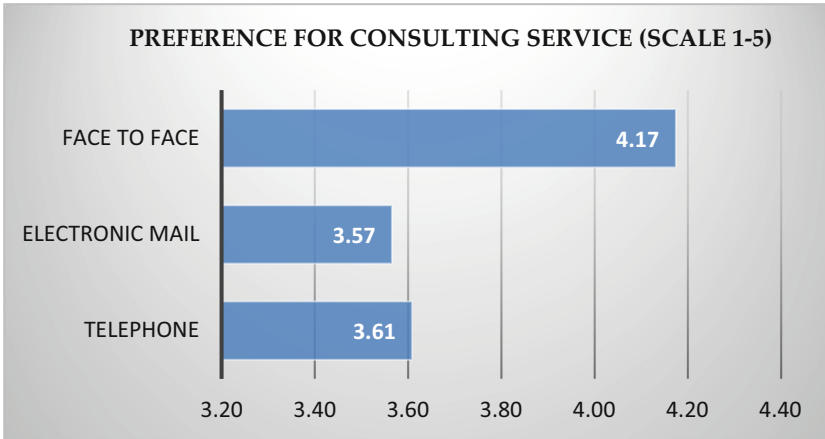


Fig. 7. Result of the preference for consulting service

rather than the virtual method. It seems that having direct consultation provides more convenience for donators. During and after the pandemic, the respondents expected to have face-to-face consultation.

4.5 Results and Analysis on the IFIs' Preference for Zakat Benefit

The illustration in Fig. 8 above presents that the respondents' preference for zakat benefits mostly from having networking opportunities and social program synergy. This result was slightly different from the previous survey from PUSKAS BAZNAS. Displaying companies' logos on the event of zakat institution or on the zakat institutions' product was not preferable. It seems that promoting themselves through zakat institutions is not important for IFIs. As the IFIs stated that their operational activities are based on the Syariah principle, stating themselves as zakat compliance probably does not offer a new idea of promotion. Additionally, confirming the study by PUSKAS BAZNAS, zakat deduction got the lowest score in this study. The reason for this result is probably because the policy of zakat as deductible income has been implemented in Indonesia (Dodik Siswanto & Nurhayati, 2012; Susamto, 2009). Consequently, the IFIs might not expect much from tax deduction.

4.6 Results of the IFIs' Preference for Type of Zakat Institutions

It is seen from Fig. 9 above that the respondents mostly prefer to distribute their zakat fund through the government zakat institutions, namely BAZNAS, followed by the private zakat institutions. Furthermore, this study confirmed a survey from PUSKAS BAZNAS that BAZNAS was the top-of-mind zakat institution chosen by the respondents. Surprisingly, some respondents agree that they would like to directly distribute the zakat fund to the beneficiaries. A study stated when the crisis of confidence in zakat institutions existed, some zakat payers chose to distribute the zakat fund directly to the beneficiaries (Owoyemi, 2020).

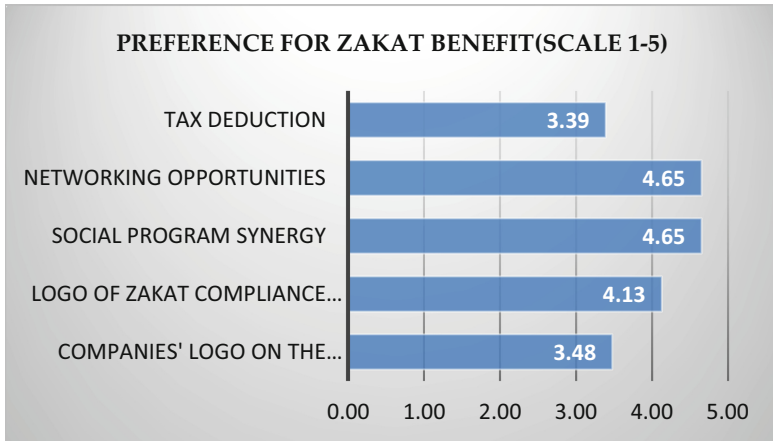


Fig. 8. Result of the preference for consulting service

4.7 Results of the IFIs' Preference for Zakat Institutions' Financial Report

The zakat institutions' financial report is crucial. Its role is as a communication tool for their user. The financial report also improves the accountability and transparency of zakat institutions (Adiwijaya & Suprianto, 2020; Andriani & Mairijani, 2019). The illustration in Fig. 10 above shows that an audited financial report is preferable. As initially discussed, an audited financial report may reduce misstatement and error, consequently, will provide higher value, (Lobo & Zhao, 2013). The study from (Andriani, Mahyuni, et al., 2021) showed that among 79 zakat institutions registered in the directory of tax authority (Peraturan Dirjen Pajak NO PER-15-PJ/2020, 2020), only 19 institutions have published a financial report based on accounting standard, namely PSAK 109. Additionally, 14 institutions have been audited by certified audit firms. Companies likely prefer to distribute their zakat fund through the 14 zakat institutions that have published audited

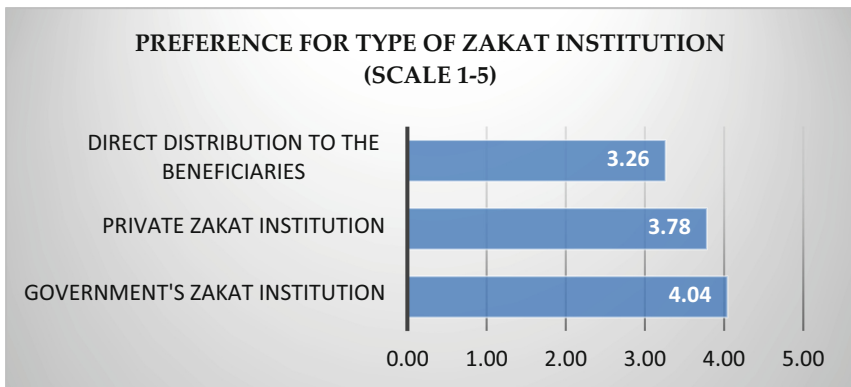


Fig. 9. Result of the preference for type of zakat institutions

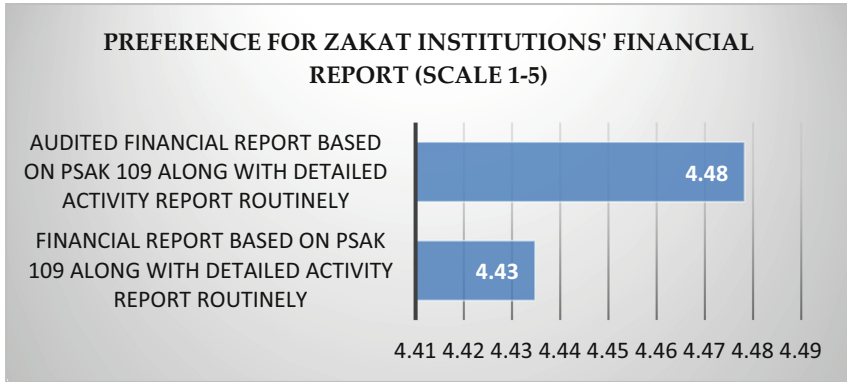


Fig. 10. Result of the preference for zakat institutions' financial report

financial reports. The 14 institutions that have published their audited financial report in 2019 and 2020 are presented in Table 3.

Table 3. Zakat Institutions that published an audited financial report in 2019 and 2020

| Number | Zakat Institution | Opinion |
|--------|--|---------------------|
| 1 | Yayasan Ukhuwah Care Indonesia | Unqualified opinion |
| 2 | Badan Amil Zakat Nasional | Unqualified opinion |
| 3 | LAZISNU | Unqualified opinion |
| 4 | Yayasan Baitul Maal Forum Komunikasi Aktifis Masjid (LAZ FKAM) | Unqualified opinion |
| 5 | LAZ Dewan peduli ummat kaltim | Unqualified opinion |
| 6 | dompet sosial madani | Unqualified opinion |
| 7 | LAZ RZI | Unqualified opinion |
| 8 | LAZ inisiatif Zakat Indonesia | Unqualified opinion |
| 9 | LAZ LMI | Unqualified opinion |
| 10 | yayasan dompet dhuafa republika | Unqualified opinion |
| 11 | yayasan griya yatim & dhuafa | Unqualified opinion |
| 12 | LAZ YYSN panti yatim Al Fajr | Unqualified opinion |
| 13 | LAZISMU | Unqualified opinion |
| 14 | LAZ Al Ihsan Jawa Tengah | Unqualified opinion |
| 15 | Yayasan Daarut Tauhid | Unqualified opinion |
| 16 | Yayasan Global Zakat (ACT) | Unqualified opinion |

5 Conclusions and Recommendation

5.1 Conclusion

As discussed earlier, the realization of zakat from Islamic Financial Institutions (IFIs) is far below their total potential amount. Through this study, the preferences of IFIs for paying zakat and alms through zakat institutions are identified. It is expected that the strategy of fundraising can be improved. As a consequence, the amount of zakat from IFIs may increase.

This study found that generally IFIs' preference for paying zakat institutions is similar with other type of companies. The IFIs' preferences for zakat institutions' promotional media were to be informed by electronic mail, followed by using social media and websites. In terms of payment channels, IFIs prefer a virtual method to the conventional one. This result confirmed the previous study that IFIs prefer to have direct consultation with the zakat institutions. It is seen that during and after the pandemic, direct consultation offers better convenience. Furthermore, the IFIs did not benefit from tax deduction, but they expected to develop social program synergy and networking through zakat institutions. In addition, the IFIs prefer zakat institutions to publish an audited financial report. It implies that IFIs are aware of zakat institutions' accountability and transparency. Lastly, this study presented that the government zakat institution is the most favorable, followed by the private zakat institutions. The notion that IFIs directly distribute their zakat and alms needs to be addressed by providing an accountable and transparent financial report.

5.2 Recommendation

Utilizing financial technology is vital to gain IFIs' willingness in paying zakat through zakat institutions. Not only use a virtual account, but zakat institutions can also develop an online platform. For example, the private zakat institution like Rumah Zakat and Rumah Yatim have developed *inafaq.id* and *donasonline.id* respectively. Another way to provide an online platform donation is by using a third-party service, like Gojek or Dana. Additionally, the IFIs prefer face-to-face consultation to virtual consultation. This research suggested that zakat institutions provide consulting service divisions which allow IFIs to perform direct consultation. Furthermore, IFIs expected to develop social program synergy and networking through zakat institutions. This study suggested that zakat institutions offer a social program where IFIs can positively contribute. Additionally, networking opportunities will be wide open for the IFIs. Lastly, this study suggested that zakat institutions prepare an audited financial statement based on national accounting standards.

There are several limitations in this research. Firstly, the data was gathered only from 3 cities in South Kalimantan Province in Indonesia, so the result could not be generalized to other IFIs. Secondly, this study used the average score of the Likert scale to analyze the IFIs' preferences, so the result was somewhat general. It is suggested that the future study uses a more specific method to investigate the factors that influence IFIs' intention on paying zakat through zakat institutions. Lastly, it is interesting to investigate the likelihood of IFIs' zakat realization in other countries and their intention to pay zakat through zakat institutions.

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