

Chapter 10

The Impact of Zakat to the Economy, Organization, and Moral and Social

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ABSTRACT

Zakat is one of the pillars of Islam that every Muslim must obey. Zakat is not only meant as a spiritual command but it gives impacts widely to the society, brings benefits to all the needy where they need help in order to survive. Using a descriptive analysis, the chapter consists of a literature review of previous studies and a short survey of questionnaire (n=54). This chapter revealed the positive impacts of zakat to economy, organization, moral, and social. The results of this chapter can be used as a reference for stakeholders and the muzakki (zakat contributor) on the multiplier effects of zakat to the society, thus particularly for government to make necessary policies and actions to encourage the collection and distribution of zakat effectively.

1. INTRODUCTION

Zakat is one of the pillars of Islam that importantly to be understood, collected and distributed to bring the goodness for the *ummah*. *Zakat* obligation is meant for all Muslims worldwide and it's fund administered by the authorized institutions of each country. Despite having many obstacles, the effectiveness of governing the *zakat* fund is become a requirement because it is potentially helps the needy and carries other positive impacts.

Many studies were conducted to explore implementations of *zakat* aimed for advancements. Some people deny the role of *zakat* to the society but gradually researches show the evidence that the *zakat* is used as a strategic instrument in Islam to solve mainly the economics' issues. *Zakat* is not only promoting justice, accountability and compassion in society, but also as a means to preserve social equilibrium in a country (Nanji, 1985). As per the teachings of Islam, paying *zakat* would not reduce the *zakat*

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payer's wealth, but instead the payers or contributors obtain blessings (barakah) from Allah SWT (God) (Khurshid et al., 2014).

Zakat is a concept that elaborates various philosophies on fund contribution. The two main sources that always become a reference to know about *zakat* are *Al-Qur'an* and *Sunnah*. Some Muslims may not understand it easily, thus need sufficient knowledge. Misunderstood on the principles, compliances and role of *zakat* is one of the challenges that every Muslims should overcome it.

Zakat institution has a role that may give a safety-net, particularly during economic slowdown or recession. According to Said et al. (2012), *zakat* institution takes the mandate as recipient, collector as well as a distributor of *zakat*. In distribution of *zakat*, various methods and approaches are applied in channeling the donation to the *asnaf*.

Indonesia is a multi-religion and ethnic country where the majority of its population is Muslim. Despite being an obligatory duty for Muslims to dispense their *zakat*, it is found that the amount of annual *zakat* collection in Indonesia is relatively small compared to the income tax collection. In fact, the Indonesian *shariah* listed companies are not fully complied in paying *zakat*. This implies that the obligation of paying *zakat* has been neglected by the Muslims or it could be they perceived that *zakat* is less important than income tax since the failure to pay *zakat* is not penalized by the Indonesian government. Hence, understanding the *zakat* impacts to every Muslims either by individual or organization is crucial as it is a compulsory instruction from God (Allah SWT). Among the positive impacts of *zakat* that will be discussed in this chapter comprise of economy, organization, and moral and social.

2. LITERATURE REVIEW

2.1 Term of Zakat

Zakat is an Arabic word which carries several meaning including growth, increase, cleanness and purification (Wahab and Rahman, 2011; Ahmed, 2004) or as a mandatory religious levy imposition as a means of purification and growth (Said et al., 2012). *Zakat* is one of the mechanisms used since the days of Prophet Muhammad (PBUH) to alleviate poverty and reduce income inequality by redistributing wealth from the rich to those less fortunate or needy (Ahmed and Md Salleh, 2016; Aziz and Mohamad, 2016; Samad and Glenn, 2010).

Zakat is a religious duty for Muslims who fulfilled the *zakat* requirements to give a specific amount of their wealth to the entitled recipients or *asnaf* that has been prescribed in the *Quran*. The *Quran* (Al-Mumtahanah 60:9) specifically states that the following eight categories of *zakat* recipients or *asnaf*, namely the destitute (Fakir), the poor (Miskin), the indebted (Gharmin), stranded travellers (Ibnus Sabil), newly converted Muslims (Muallaf), those free from slavery/bondage (Riqab), those who are in the way of Allah (Fisabilillah) and the person who collects *zakat* (Amil).

As emphasized in the *Quran*, Muslims who ignored their *zakat* obligations will receive severe punishment on the Day of Judgment. There are two categories of *zakat*: *zakat fitrah* which is paid by Muslims in the month of Ramadhan and *zakat* on wealth which includes *zakat* on employment income, business income, savings, crops and agriculture, gold and silver, shares and natural resources (Farah Mastura and Zainol, 2015). The *zakat* on income is calculated by multiplying net profit earned with 2.5 percent. This is where the concept of corporate social responsibility (CSR) arises and it is part of the concept of *zakat*. Abdullah and Suhaib (2011) posited that the importance of *zakat* as a duty from Allah is similar with

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sholat (prayer) which had been mentioned more than eighty times in *Al-Qur'an* itself. This compulsory obligation (*fardhu*) of *zakat* is explained in *Qur'anic* verses below:

“Yet they were not commanded except to worship Allah, dedicating their faith to Him as men of pure faith, and to maintain the prayer and pay the zakāt. That is the upright religion.” (Al-Bayyina, 98:5)

“And maintain the prayer, and give the zakāt, and bow along with those who bow [in prayer].” (Al-baqarah 2:43)

“And when We took a pledge from the Children of Israel: ‘Worship no one but Allah, do good to parents, relatives, orphans, and the needy, and speak kindly to people, and maintain the prayer, and give the zakāt,’ you turned away, except a few of you, and you were disregarding.” (Al-baqarah 2:83)

“And maintain the prayer and give the zakāt. Any good that you send ahead for your souls, you shall find it with Allah. Indeed Allah sees best what you do” (Al-baqarah 2:110)

“O you who have faith! Spend of the good things you have earned, and of what We bring forth for you from the earth, and do not be of the mind to give the bad part of it, for you yourselves would not take it, unless you overlook it. And know that Allah is all-sufficient, all-laudable.” (Al-baqarah 2:267)

“Indeed those who have faith, do righteous deeds, maintain the prayer and give the zakāt, they shall have their reward near their Lord, and they will have no fear, nor will they grieve.” (Al-baqarah 2:277)

2.2 The Studies on Zakat

The studies on *zakat* had received attention by the researchers which discussed mainly on how to increase the contribution of *zakat* by the Muslims, distribute it accordingly, attempt to find the obstacles to pay *zakat* and the impacts of *zakat* to the society. Below is a summary of studies on *zakat* which are published by referred journals:

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Table 1. A Summary of Studies on Zakat

Authors/Year	Findings
Huda et al. (2012)	Attitudes and control behavior variables have a positive and significant effect on the <i>muzakki</i> intention variable, while subjective norms have insignificant effect.
Hasan et al. (2019)	It is strongly recommended for <i>zakat</i> institutions in Malaysia to ensure that their HRM practices correspond with <i>zakat</i> collection and distribution goals, as well as <i>zakat</i> management objectives in general.
Abdullah & Sapiei (2018)	Religiosity had a significant influence on <i>zakat</i> compliance and three dimensions of religiosity, namely obligation, virtues and vices, and optional ritual, were significantly related to <i>zakat</i> compliance.
Hairunnizam et al. (2005)	The demographic factors such as age, level of marriage and income are significant to influence payment of <i>zakat</i> on income. It highlights the mechanism of payment in <i>zakat</i> on income through salary deductions. It is also suggested to improve the achievement of <i>zakat</i> on income collections in Malaysia.
Al-Malkawi & Javaid (2018)	There is a strong positive relationship between CSR (Zakat) and CFP. This suggests that <i>Zakat</i> contribute positively to both firm's profitability and value and can be considered as a win-win strategy to maximize returns and improve performance while considering the society as a whole.
Halimatussadiyah (2015)	Due to bureaucracy and lack of internal coordination, the existing level of coordination can best be described as low, and that this level of coordination has led to suboptimal outcomes. Then it is also finds a low linkages and rules set unilaterally by the government.
Ahmad et al. (2006)	The impact of privatization on the performance of <i>zakat</i> institutions
Oladimeji et al. (2013)	Board capital, disclosure practices, governmental model of <i>zakat</i> institution, and stakeholder management were identified through the use of structural equation modeling as being the antecedents of <i>zakat</i> payers' trust.
Djagballou et al. (2018)	The total factor productivity has increased sharply for all <i>zakat</i> funds, mainly due to a technical rather than efficiency change. The pure efficiency is a more important source of efficiency change than the scale efficiency component, means that <i>zakat</i> funds rely on technical aspects to gain efficiency
Bakar & Rashid (2010)	Social, religious and economic factors prevail over the other relatively 'self-centered' factors that influence the payment on <i>zakat</i> on income. It is suggested that there is a need for proper education on <i>zakat</i> which may eventually help the <i>Ummah</i> to benefit from the noble system of <i>zakat</i> .
Quraishi (1999)	<i>Zakat</i> is an increase in the money supply and a consequent increase in the demand for goods and services. <i>Zakat</i> also provides debt relief and enhances price stability. If accumulated in times of prosperity, <i>zakat</i> funds can aid society through times of depression.
Jamaluddin et al. (2011); Said et al. (2012)	The <i>zakat</i> organization performance and distribution
Kamil (2005)	The perception of <i>zakat</i> laws, enforcement, fairness and attitudes.
Alfitri (2006)	The Law of <i>zakat</i> management and non-government <i>zakat</i> collectors
Firdaus et al. (2012)	Economic estimation and determinants of <i>zakat</i> potential
Yumna & Clarke (2011)	Integrating <i>zakat</i> and Islamic charities
Pg Md Salleh (2015)	The need for bank accounts and credit facilities that meet the needs of welfare recipients, to fulfill their daily needs, as well as saving for children/grandchildren's education, and for welfare recipients who save.
Ahmed et al. (2017)	The multi-dimensional index on standard of living was also used to capture poverty in terms of deprivation in standard of living, such as non-availability of electricity, drinking water, cooking fuel, sanitation, flooring and assets.
Wahab & Rahman (2012)	Total factor productivity (TFP) of <i>zakat</i> institutions has increased slightly for the whole industry, which is mainly due to the technical change rather than the efficiency change.
Tanvir et al. (2014)	The mount of <i>zakat</i> provided to the poor recipients failed to create any significant influence on their agricultural production, food expenditure and food security status. The study also shows that household income, family members' involvement in agricultural activities and numbers of income-generating activities pursued by the households were the key determinants of households' food consumption
Saad & Farouk (2019)	The fragmented implementation of the <i>zakat</i> system within the context of the Nigerian democratic system of government lead to the weak governance with respect to law, administration and management; lack of a generally accepted fatwa from the Muslims scholars (Ulamas); absence of <i>zakat</i> accounting standard; and low compliance behavior are the major barriers that require the attention of government and other stakeholders such as the traditional leaders, the accounting regulatory bodies, the <i>Ulamas</i> , as well as the economic and accounting researchers.
Ahmad et al. (2015).	Despite the increase in the amount of <i>zakat</i> being distributed to the recipients, there are complaints received from <i>asnafs</i> with regard to the quality of services rendered to them. Surprisingly, despite the advancement in technology, the findings reveal that the main medium utilized to obtain <i>zakat</i> information was by words of mouth. The findings of this study could be beneficial to the <i>zakat</i> institution to evaluate the efficiency of <i>zakat</i> management in meeting the needs of the <i>zakat</i> recipients.
Alim (2015)	<i>Zakat</i> regulation in Indonesia ruled that <i>zakat</i> could be utilized for productive purpose in order to handling the poor and improving the quality of the people. <i>Zakat</i> for productive purpose is usually associated with a loan or revolving funds. It caused the controversy among scholars. The different concept of <i>zakat</i> led to controversy about property rights and the treatment of <i>zakat</i> .
Andam et al. (2019)	This paper finds that attitude, descriptive norm and moral norm have a positive relationship with the intention to give <i>zakat</i> . Meanwhile, perceived behavioral control, injunctive norm and past behavior are found to have insignificant influence over intention. However overall, the study supports the extension of the theory of planned behavior which accounts for 53 per cent of the variance in intention
Haque & Jan (2019)	This study found that <i>halal-haram</i> aspect of Islamic <i>Shariah</i> , legal consciousness and religiosity of Muslim consumers are positive significant factors for growing perceptions towards tax rebate over <i>zakat</i> on income in Malaysia.

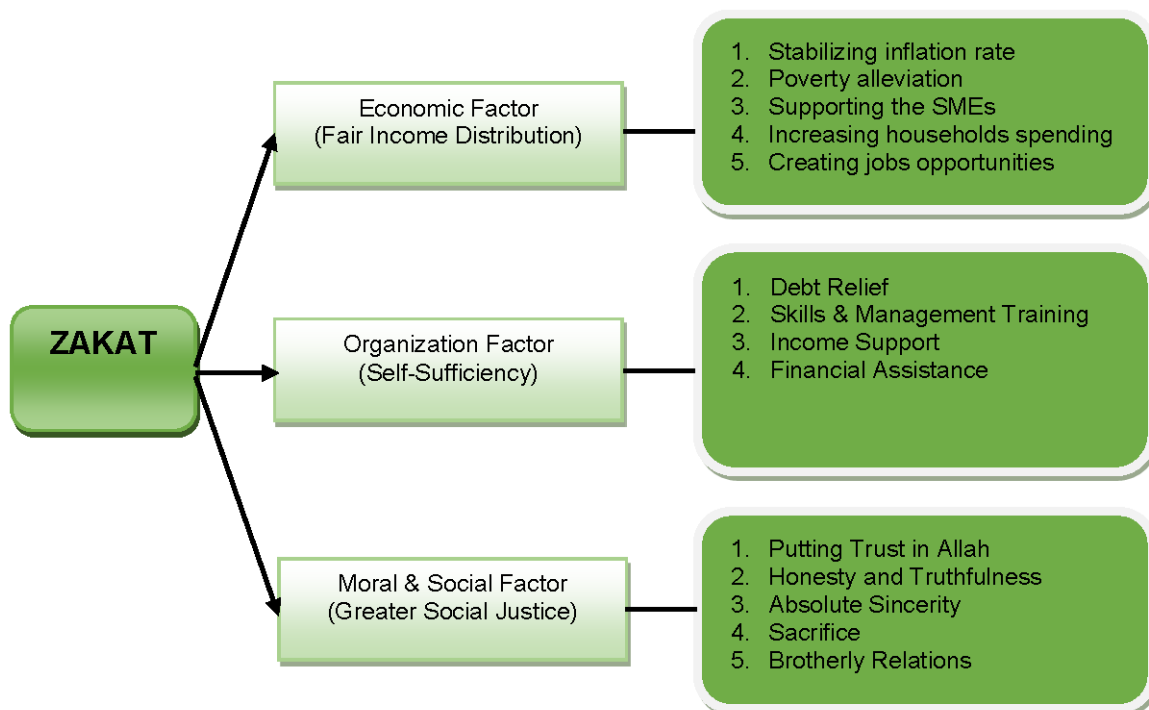
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3. METHODOLOGY

This chapter uses a qualitative method of descriptive and content analysis based on a review of literature from academic research journals, websites, social media platforms, electronic databases and other relevant sources. A survey is conducted by distributing questionnaires to support the arguments and elaboration on the effect of *zakat* to the factors of economy, organization, and moral and social. The respondents are the Muslim owner-managers of SMEs in Medan city. A convenient sampling method is used to collect 54 questionnaires.

The *zakat* has an impact to three factors of economic, organization, and moral and social. This asserted by Soofi (1995) and Chapra (2006) that *zakat* not only relates to one factor of religiosity but has interactions to moral, social, economic, political, historical, legal and cultural factors. Below is the framework of *zakat* and its impacts:

Figure 1. A framework of Zakat and Its Impact to Economy, Organization, and Moral and Social



4. DISCUSSION

The profile of the respondents consists of gender, age, income and education level which are considered as imperative characteristics in many studies which shown in below Table:

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Table 2. Demographic Data

Respondents Profile		Frequency	Percentage (%)
1. Gender	Male	20	37.04
	Female	34	62.96
2. Age level of respondents	20-30	13	24.07
	31-40	23	42.59
	41-50	10	18.52
	>51	8	14.81
3. Income profile	< IDR 2,500,000	5	9.26
	IDR 2,500,000-4,999,999	19	35.19
	IDR 5,000,000-7,499,999	13	24.07
	IDR 7,500,000-9,999,999	10	18.52
	IDR >10,000,000	7	12.96
4. Educational profile	Elementary School	3	5.56
	Junior/Senior High School	8	14.81
	Undergraduate (Diploma/Bachelor)	31	57.41
	Post-graduate (Master/MBA/PhD)	12	22.22

As depicted in Table 2, 62.96% of the respondents are male and remaining 37.04% are female. This means, the male owner-managers are concern on the impacts of *zakat* compare to the female owner-managers. 42.59% of respondents are with the age between 31-40 years old and only 14.81% of them are with the age more than 51 years old. This means, the owner-managers with age of 31-40 years old are concern on the importance of *zakat*. Moreover, a majority of 59.26% of respondents earn an income of IDR2,500,000 to IDR7,499,999 and only 12.96% of respondents earn more than IDR10,000,000. It indicates that the owner-managers who earned an income of IDR2,500,000 to IDR7,499,999 are more aware on the role of *zakat* to the society that other group of respondents. Lastly, a majority of 57.41% of respondents are with undergraduate degree (Diploma/Bachelor), while 5.56% of respondents are with elementary school certificate. It means that a dominant educated group of owner-managers with undergraduate degree were understood the whole concept of *zakat*. They have ability to learn matters related to *zakat* and expectedly, they can disseminate the information about *zakat* which include the positive impacts of *zakat* to the economy, organization, moral and social.

In particular for gender, a study on the gender and *zakat* compliance by Abdullah & Sapiei (2018) mentioned some arguments. Prior studies on *zakat* found that working females are more likely to pay *zakat* on income than males (Hairunnizam et al., 2007). This is due to males and females are traditionally, culturally and socially different (Liao et al., 2015, p. 412), thus, they often act and behave differently (Palvia et al., 2015). It has been argued that females are more ethical than males (Borkowski and Ugras, 1998; Cohen et al., 1998; Hite, 1997; Barnett et al., 1994). Moreover, females are likely not involved in illegal or *zakat* incompliance acts more frequently than males (Rothschild and Miethel, 1999), they are more committed (Huse and Solberg, 2006) and are less self-interest orientated than males (Coffey and Wang, 1998).

Below is the questionnaire consists of three factors related to *zakat*:

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Table 3. Questionnaire on the Impact of Zakat to economy, organization, and moral and social

Statements		Scale				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Zakat makes stabilization of inflation rate	Frequency	8	16	16	8	6
	Percentage (%)	14.81	29.63	29.63	14.81	11.11
2. Zakat decreases or alleviate poverty	Frequency	8	15	18	5	8
	Percentage (%)	14.81	27.78	33.33	9.26	14.81
3. Zakat fund supports the SMEs' operations	Frequency	10	7	23	8	6
	Percentage (%)	18.52	12.96	42.59	14.81	11.11
4. Zakat increases the household spending	Frequency	10	12	16	6	10
	Percentage (%)	18.52	22.22	29.63	11.11	18.52
5. Zakat open opportunities for jobs	Frequency	14	8	16	8	8
	Percentage (%)	25.93	14.81	29.63	14.81	14.81
6. Zakat can be as debt relief	Frequency	9	15	16	7	7
	Percentage (%)	16.67	27.78	29.63	12.96	12.96
7. Zakat supports to gain income	Frequency	8	12	20	8	6
	Percentage (%)	14.81	22.22	37.04	14.81	11.11
8. Zakat fund as financial assistance for an individual	Frequency	10	12	17	9	6
	Percentage (%)	18.52	22.22	31.48	16.67	11.11
9. Zakat is an obligation of putting a trust in Allah	Frequency	6	17	21	1	9
	Percentage (%)	11.11	31.48	38.89	1.85	16.67
10. Zakat carries moral values of honesty and truthfulness	Frequency	10	16	13	12	3
	Percentage (%)	18.52	29.63	24.07	22.22	5.56
11. Zakat creates absolute sincerity	Frequency	12	13	16	6	7
	Percentage (%)	22.22	24.07	29.63	11.11	12.96
12. Zakat brings the justice to all people	Frequency	13	16	11	11	3
	Percentage (%)	24.07	29.63	20.37	20.37	5.56
13. In zakat, Muslim learns a sacrifice	Frequency	12	18	11	6	7
	Percentage (%)	22.22	33.33	20.37	11.11	12.96
14. Zakat means stands for brotherly relations	Frequency	5	17	17	9	6
	Percentage (%)	9.26	31.48	31.48	16.67	11.11

As depicted in the Table above, there are elaborations based on each statement as follows:

1. 44.4% of respondents agree that *zakat* makes stabilization of inflation rate, while only 25.92% of them disagree with the statement.
2. 42.59% of respondents agree that *zakat* decreases or alleviate poverty. While 24.07% of them disagree with the statement.
3. 31.48% of respondents agree that *zakat* fund supports the SMEs' operations, while 25.92% of them disagree with the statement.

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4. 40.74% of respondents agree that *zakat* increases the household spending, while 29.63% of them disagree with the statement.
5. 40.74% of respondents agree that *zakat* open opportunities for jobs, while 29.62% of them disagree with the statement.
6. 44.45% of respondents agree that *zakat* can be as debt relief, while 25.92% of them disagree with the statement.
7. 37.03% of respondents agree that *zakat* supports to gain income, while 25.92% of them disagree with the statement.
8. 40.74% of respondents agree that *zakat* fund as financial assistance for an individual, while 27.78% of them disagree with the statement.
9. 42.59% of respondents agree that *zakat* is an obligation of putting a trust in Allah, while 18.52% of them disagree with the statement.
10. 48.15% of respondents agree that *zakat* carries moral values of honesty and truthfulness, while 27.78% of them disagree with the statement.
11. 46.29% of respondents agree that *zakat* creates absolute sincerity, while 24.07% of them disagree with the statement.
12. 53.7% of respondents agree that *zakat* brings the justice to all people, while 25.93% of them disagree with the statement.
13. 55.55% of respondents agree that in *zakat*, Muslim learns a sacrifice, while 24.07% of them disagree with the statement.
14. 40.74% of respondents agree that *zakat* means stands for brotherly relations, while 27.78% of them disagree with the statement.

To conclude is that the 14 statements indicate majority of the respondents are agreed that the *zakat* has an impact to the economy, organization, moral and social. Each of the statements are discussed below:

a. Economic Factor

Zaim (2000) mentioned that *Zakat* has a multiplier effect on the economy through the investment in production, employment and redistribution of incomes and assets. It is also accommodates prosperity by increasing the individual's purchasing power and standard of living. This also lead to the long term plan of decreasing poverty as well as transforming the conditions of *mustahik* (the needy) to be the *muzakki* (*zakat* contributor). Some of the low-income Muslim countries can meet their resource gap under US\$ 1 of international poverty line by tapping on the potential of *zakat* collection.

Unlike the *zakat*, taxation has negative economics effects that includes, deterrent to work, saving and enterprise as well as encouragement of inflation and diversion of economics resources. The impacts of tax through the increase of government expenditure are a reality because more taxes can be levied. This make the economic growth to decline. If taxation is not efficiently handled, the tax burden may be shifted to consumers. It is unfair burden for the producers and businesses but *zakat* on the other hand would not transfer any burdens. Moreover, the imposition of tax contributes to increase in economic inequality that consequently affects the income and spending patterns of households.

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I. Stabilizing Inflation Rate

Inflation relates to the high prices of basic food which arise difficulties in managing life. The fluctuate prices of basic food affect the income of workers and motivation in their works. In general, the economy growth of a country can be increased due to the segregation of the annual budget proportionately and able to control the inflation rate. With that, *zakat* fund can be distributed to stabilize the prices, one of them by filling the gap of some abuses in setting up the prices of basic food or the gap of unsupplied goods.

li. Poverty Alleviation

As the *zakat* fund meant for a fair income distribution, this potentially will alleviate poverty in a country. The poor can use the *zakat* fund for production activities that stimulates economy. Everybody surrounds them can gain some positive impacts through dissemination of money.

By giving the poor some facilities to work, engaging them consistently, providing them assistances in certain aspects, thus make them contribute to various outputs, generate income and create consumptions.

Meanwhile, Mohammad Tahir (2010) suggested that sustainability will be secured as long as the income of citizens remains above the poverty line. However, an income is different compares to consumption. Abdullah et al. (2015) argued that consumption is preferable rather than income to measure poverty because it is difficult to measure the income of those working in the informal sector, like self-employed workers. He added that the consumption goods are considered to more accurately represent long-term living standards but income may fluctuate over short periods.

lii. Supporting the SMEs

The small and medium enterprises (SMEs) are the backbone of the economy of every countries. There are problems faced by the entrepreneurs particularly in getting financial aid. A firm with limited or no access to external capital may face serious constraint in its ability to pursue the firms' growth (Levine, 2004). These SMEs have difficulties to get financial assistance from the formal financial institutions which required rigid requirement, thus left to limited choices to obtain the fund. If the owner-managers of SMEs come from the poor or fall under infeasible category which they need to survive by selling some products, thus the *zakat* institutions should consider them to be help particularly for the micro firms.

Iv. Increasing Households Spending

When the *mustahik* received the *zakat* fund, they can spend it for the important goods of household, which include for school fees of their children, something for cooking of their daily food, and electricity/water bills. All of these are the basic need of human beings. The increase of household spending means that stimulates the purchasing power as one of vital economics' indicators for growth.

Zakat fund is used to boost the household consumption which attracts the government spending (Ahmed et al., 2017). Ibrahim & Ghazali (2014) mentioned that distribution of *zakat* to productive *asnafs* will assist them in the long term to improve their quality and standard of living or households spending.

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V. Creating Job Opportunities

When the *zakat* fund is distributed to the needy, some of them can start to work by him/her or at least attempt to do things for their life. When the *mustahik* received the money, they will start to consume goods and gradually will boost the purchasing power. With an increase in purchasing power, the poverty rate will decrease, then the job opportunities are created or unemployment reduced. All the five economic factors are interrelated which generated from an obligation of *zakat*.

b. Organization Factor

The participation of *zakat* is not merely related to the worship factor (ta'abudi) but it could be affected by the organization factors. Muhammad et al. (2006) found a relationship of *zakat* and other organizational factors including self-satisfaction and motivation. Meanwhile Lunn et al. (2001) argued that people's giving is related merely to the religion factor. Thus *zakat* is not considered only as religious matter but may categorized as peoples' giving. Then, *zakat* also associated with the firms' financial planning which expectedly affect its contribution. It assumes that profitable and successful firms have better financial conditions and are more aware about the obligation of *zakat* payment.

i. Debt Relief

Through *zakat* distribution, the debt of workers can be relieved, thus they will have motivation to work because the burden is decreasing. This related to self-satisfaction and job performance of the workers that expectedly become better after relieving the debt.

The debt will influence the minds and actions of workers. The life of workers become worst if they can't manage the debt. For the poor, they have to take a debt to survive but sometimes it will make their life more difficult. Occasionally, taking any debts influenced by greediness and irrationalities. Meanwhile, *zakat* may be a solution for them to relieve the debt and they can live normally.

ii. Skills and Management Training

Some of employees have obstacles paying fees or costs for training. They need to attend such skills training, therefore they can contribute optimally to the works. With the *zakat* fund, this obstacle can be resolved.

The *zakat* fund can be used for a company to conduct the managerial training which is crucial for the employees to learn and know how to manage administration and operations of the company. This group of people categorized under *fi sabillah*, who are learning or seeking for knowledge.

iii. Income Support

This refers to an individual income which needs to be supported. The poor have to fulfill their needs and thus able to manage the family accordingly. Some people can't focus in their works if their families have difficulties in daily income. The *zakat* institutions may play a role in supporting the income of the self-employed workers that received salary below the standards which are obviously seen in some countries. If the workers are treated fairly, they may give full efforts and loyalties to the organization and sacrifice for the sake of achieving better performance.

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iv. Financial Assistance

This aimed for an individual or the company whereby they might need financial assistance to run the operations of the company. For example of some contracts such as *qard hassan*, equipment grants and equity grants. The distribution of *zakat* is extended to various forms of unproductive aids to productive aids (Wahab and Rahman, 2011). This type of aid is intended to help the poor in continuing their life and fulfilling their principals' needs (Said et al, 2012).

For whom that need to pay the health or medical bills urgently, he/she can request for the *zakat* fund. A person's health is very important for him/her life. With better health, a person can work normally and contribute positively to the society. Ahmed et al. (2017) mentioned that all schools of thought agreed that *zakat* can be distributed by means of direct financial support to the poor that do not have good health. Farah et al. (2012) agreed that *zakat* gives special financial aid which then supports the economic projects.

c. Moral and Social Factor

Farah et al. (2012) stated that *zakat* encourages social factors of sacrifice and human brotherhood. Both factors are derived from justice that used as a medium to maintain social jealousy or inequality, especially for *mustahik* and *muzakki*, that seen living in shortages on the one hand and on the other hand watching rich people not paying attention to the poor. Justice is importantly useful in dealings with different backgrounds of people. The *Qur'an* reminds Muslims in many verses to be fair and just in any affairs. One of the *Qur'an* verse stated below:

“Let the stingy not suppose that [their grudging] what Allah has given them out of His grace is good for them; rather it is bad for them. They will be collared with what they grudge on the Day of Resurrection. To Allah belongs the heritage of the heavens and the earth, and Allah is well aware of what you do.” (Ali Imran 3: 180)

Moreover, the Prophet Muhammad (PBUH) carries out the instructions of Allah (SWT) with justice, even to his relatives, for instance as he said; “If my daughter Fatimah had been guilty, she would not be spared” (Al-Bukhari, 1997, p. 409). Injustice creates conflict or disorder and brings negativity to any relationships as the Prophet (PBUH) warned; “injustice is darkness in the hereafter” (An-Nawawi, 1993, p. 143), while justice results in the happiness. Perhaps, it is a must for Muslim owner-managers to implement justice particularly in an Islamic organization.

Allah reminded to all humankind in *Al-Qur'an* verses as follows:

“Indeed Allah commands you to deliver the trusts to their [rightful] owners, and, when you judge between people, to judge with fairness. Excellent indeed is what Allah advises you. Indeed Allah is all-hearing, all-seeing.” (An Nisa, 4:58)

“O you who have faith! Be maintainers of justice and witnesses for the sake of Allah, even if it should be against yourselves or [your] parents and near relatives, and whether it be [someone] rich or poor, for Allah has a greater right over them. So do not follow [your] desires, lest you should be unfair, and if you distort [the testimony] or disregard [it], Allah is indeed well aware of what you do.” (An Nisa, 4:135)

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Zakat creates calm and tranquility for both *mustahik* and *muzakki* which dodge social inequality that leads to social turmoil and it will become a problem in the community such as the occurrence of crime and others. This is in accordance with *Qur'an* verse below:

“Should He ask it from you, and press you, you will be stingy, and He will expose your spite.” (Muhammad 47: 37)

“Ah! There you are, being invited to spend in the way of Allah; yet among you there are those who are stingy; and whoever is stingy is stingy only to himself. Allah is the All-sufficient, and you are all-needy, and if you turn away He will replace you with another people, and they will not be like you.” (Muhammad 47: 38)

Through sacrifices, human brotherhood and justice, the social harmony and peace are created. In organization view, justice is a very important aspect to avoid the possible of intangible costs incurred. Thus it is proven that *zakat* brings positive impact to the society as highlighted in Islamic teachings

With regards the moral factors, *zakat* widespread the trust in Allah SWT, honesty and truthfulness and sincerity. When the *muzakki* paid the *zakat*, it mirrored better attitude of sincerity, honesty and truthfulness in helping the needy which considered as ethical matters. These carry positivity to an individual and in an organization.

Zakat encourages people to be able to increase the high work ethics in order to get some wealth to become *muzakki*. Moreover, if *zakat* delivered sincerely, it gives more benefits in the hereafter and also provide great wisdom. This is in accordance with *Qur'an* verse below:

“Allah brings usury to naught, but He makes charities flourish. Allah does not like any sinful ingrate”. (Al-Baqarah 2: 276)

Zakat also will reduce/eliminate the miserly traits of *muzakki* (who pay the *zakat*), and train them to be generous as stated in verses of *Al-Qur'an* below:

“Take charity from their possessions to cleanse them and purify them thereby, and bless them. Indeed your blessing is a comfort to them, and Allah is all-hearing, all-knowing.” (at-Taubah 9: 103)

Zakat is a symbol of creating moral factors that associated with Islamic work ethics (IWE). The IWE is importantly to be adopted in an organization. Numerous studies found that the IWE associated with job satisfaction e.g. by Mohamed et al. (2010), Yousef (2000), Yousef (2001), Rokhman (2010), Marri et al., (2012), Komari & Djafar (2013), Gheitani et al. (2018). As the work motivation also is created through IWE practices, the commitment of employees also emerged. There are studies confirmed on a significant relationship of both IWE and organizational commitment such as by Hayati and Caniago (2012), Marri et al. (2012), Yousef (2001), Rokhman (2010), Rokhman and Omar (2008), Komari & Djafar (2013), Gheitani et al. (2018), bin Salahudin (2016). Furthermore, the IWE is related to the job performance through creation values, loyalty and profit (Ali & Al-Kazemi, 2007), thus has a relationship with higher performance, brings widespread prosperity and societal welfare (Al Habtoor, 2001; Yousef, 2001; Ali, 2005; Ali & Al-Owaihian, 2008). This show that Islam seriously concern on an obligation of *zakat* to establish moral and social factors.

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Below are five elements related to moral and social factor:

i. Putting trust in Allah

Zakat is widely referred and cited with the command of prayer and associated with an establishment of a trust in Allah SWT. Despite having reminders on the rewards of *zakat*, Muslims have reluctance to contribute their wealth because they don't trust in Allah SWT (God). There is a term known as *Tawakkul* which means that every Muslims should submit and depend themselves on Allah SWT (God) in all their worldly affairs. Allah SWT will help His servant if they are obeying the Islamic teachings accordingly. Trust in Allah SWT makes the works can optimally be done.

This element highlighted in *Al-Qur'an* as follows:

"It is by Allah's mercy that you are gentle to them; and had you been harsh and hardhearted, surely they would have scattered from around you. So excuse them, and plead for forgiveness for them, and consult them in the affairs, and once you are resolved, put your trust in Allah. Indeed Allah loves those who trust in Him." (Al-Imran 3:159)

ii. Honesty and truthfulness

An honest and truthful person will pay the *zakat*. Muslims who knows the meaning of *zakat* deeply, they will pay the *zakat*. A Muslim should be honest and truthful both internally and externally, individually and collectively, privately and publicly (Ather, 2007). The honesty makes an individual able to develop him/her to become a good Muslim through behavior, words and deeds. This also creates the believer feel self-satisfied and socially secured. Honesty leads the individuals to think that he/she trusts others and is trusted by others, which also refers unity of behavior, unity of standards, and integrity of personality. Moreover, honesty means to prevent from internal oppositions, social conflicts, and self-contrariety. Islam has encouraged Muslims to be honest and importantly needed to have a conducive environment or society, thus happiness among individuals is appeared. In a *Hadith*, the Prophet Muhammad (PBUH) said:

"Truthfulness leads to righteousness, and righteousness leads to paradise. A man continued to tell the truth until he becomes a truthful person. Falsehood leads to wickedness, and wickedness leads to the hell, and a man may continue to tell lies till he is written before Allah, a liar".

iii. Absolute Sincerity

Zakat is an act of sincerity on how Muslim helps other Muslims. When Muslims pay the *zakat*, they can learn the meaning of sincerity where they contribute without having a return. In an organization, a sincerity may eliminate any burdens once the works are accomplished. In fact, people do not bring their souls (include sincerity) to work but merely carry their arms and brains (Mitroff, 2003), thus, employees do not succeed in advancing themselves as holistic human beings (Rego et al., 2007). Furthermore, the sincerity relates to intention where Islam is concerned on it. The Prophet Muhammad (PBUH) said:

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“Actions are only judged by the intention, and every man shall only have what he intended. Thus, he whose Hijra was for the sake of Allah and his messenger, and he whose Hijra was to achieve some worldly benefit or to take some woman in marriage, his Hijra was for that for which he made Hijra”.

The *Hadith* elaborates that the good intention is importantly needed in order for the actions to be accepted by Allah SWT. This is called *ikhlas* in Islamic teaching or an absolute sincerity which means to ensure that every worship or affair is performed solely for the sake of Allah SWT and to gain His pleasure (*rida*). It is also known as a condition of acceptance on the performed deeds which give happiness to everyone who are applying it.

iv. Sacrifice

Zakat as an act of *ibadah* that emphasized on a sacrifice of wealth. Muslim must sacrifice for their brothers for everything including wealth as it is suggested in *Al-Qur'an* and *Hadith*. A sacrifice is an attitude that hardly realized by an ordinary person, while a pious person will definitely understand the purpose of sacrifice through *zakat* that guaranteed by Allah SWT of entering heaven. The Prophet Muhammad (PBUH) give an example on sacrifices' actions to the society and not only to his family. This is followed by the attitudes shown by the second Khaliph, Umar Ibn al-Khatab and the third Khaliph, Uthman Ibn 'Afaan. The sacrificing culture can contribute to the development of a harmony and unity of various groups who are working together in an organization.

v. Brotherly Relations

This element could be as a moral and social factor. As Muslim, the relationship among Muslims must be maintained or called as *ukhuwaah Islamiyyah*. *Zakat* can be useful to bring closer and create compassion between the poor and the rich. In other words, *zakat* will deliver *muzakki* to have a high level of solidarity with poor people and will make a believer far from being wasteful and greedy.

The widespread of human brotherhood creates relationship where information can be shared and exchanged. The valuable information is needed which may results or as a source of business opportunities. Every Muslim is brother and should help each other. Islam incites to sustain the relationship while many *hadiths* of the Prophet Muhammad (PBUH) reminded the importance of brotherhood, among others:

“When you meet him, salute him, when he calls you, respond to him, When he seeks advice, give him advice, When he sneezes and praises Allah, respond to him, When he falls ill, visit him, When he dies, follow him (the funeral bier)”.

Allah has stated in *Al-Qur'an* with regards the brotherhood or Muslim relationship as follows:

“and united their hearts. Had you spent all that is in the earth, you could not have united their hearts, but Allah united them together. Indeed He is all-mighty, all-wise.” (Al Anfal, 8:63)

“But the faithful, men and women, are comrades of one another: they bid what is right and forbid what is wrong and maintain the prayer, give the zakāt, and obey Allah and His Apostle. It is they to whom Allah will soon grant His mercy. Indeed Allah is all-mighty, all-wise.” (At Taubah, 9:71)

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“The faithful are indeed brothers. Therefore make peace between your brothers and be wary of Allah, so that you may receive [His] mercy.” (Al Hujraat, 49:10)”

“Hold fast, all together, to Allah’s cord, and do not be divided [into sects]. And remember Allah’s blessing upon you when you were enemies, then He brought your hearts together, so you became brothers with His blessing. And you were on the brink of a pit of Fire, whereat He saved you from it. Thus does Allah clarify His signs for you so that you may be guided.” (Al Imran, 3:103)

CONCLUSION

Zakat is a thanksgiving, for the blessings given by Allah SWT to *muzakki*, because it has been given the wealth compared to the others. It is an instruction for Muslims to obey of paying *zakat* as stated in the *Al-Qur’an* and *hadith*. The discussion above mentioned the promising benefits and potentials that can be derived from *zakat* i.e. social, moral and economic prosperity. It is beyond of what people assumed about *zakat* which obviously play a strategic role for an individual and society. Moreover, this result denies the negative arguments of Western scholars on the concept of Islamic economy that include *zakat*.

The administration of *zakat* is a concern by many countries particularly Muslim countries. Its impacts can help the development of a country in many aspects including to resolve a classic problems of poverty and unemployment. Thus the continuous improvement of *zakat* management should be done.

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