

LITERACY ON THE FUNDAMENTAL INFORMATION OF ZAKAH

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Abstract: *Islam is a unique religion which emphasizes on the importance of charity. There are two (2) types of charity; (1) compulsory charity such as Zakah and (2) voluntary charity such as donation and Waqf. The past Islamic civilization has proven these charity tools have contributed to the development of a nation without debt-based financial instruments. Currently, we find these tools are no longer effective compared to the modern financial instrument which highly subscribed to debt-based. Therefore, the aims of the study are to explore the literacy of Muslim on Zakah basic knowledge. 200 questionnaires have been distributed using random sampling technique in 14 states and 2 federal territories of Malaysia (Persekutuan and Putrajaya). The questions are comprised of basic knowledge of Zakah. The findings show that majority of the respondents have common knowledge of Zakah but only one (1) technical question such as percentage of Zakah seems to be confused by the respondents. Many respondents answer not sure about the percentage of 2.5. Generally, the output indicates that Malaysian do aware on the role of Zakah from the Islamic perspective, thus, it is the responsibility of the operator of Zakah and Muslim to continuously educate the public especially the young generation on the importance of Zakat for the development of Muslim society and nation.*

Keywords: Literacy, Zakah and Malaysia.

INTRODUCTION

The word Zakah is mentioned in various verses in the Quran. The practiced of Zakah is one of the main principles in Islam and it is compulsory for every Muslim to obligate towards performing Zakah (Amirul et. al., 2013). Literally, the word Zakah is referring to the grow (in goodness) or ‘increase’, ‘purifying’ or ‘making pure’. Technically, the act of giving Zakah means purifying one’s wealth to gain Allah’s SWT blessing to make it grow in goodness. In legal terms, Zakah is referred to as the act of giving away a portion of your wealth to certain groups of people under certain circumstances (Abdul Wahab & Abdul Rahim, 2011). Zakah is not considered as charity either not a tax but it is an obligation for the adult Muslims. By giving

Zakah, a Muslim is acknowledging that everything we have is Allah's and we do not really own it, and we should use it to remember Allah and help those who are in need.

Zakah can be divided into two types which are *Zakah Badaniyah* and *Zakah Maliah*. *Zakah Badaniyah* is Zakah for body or *Fitrah*. Meanwhile, *Zakah Maliah* is Zakah for the properties including cereals and fruits, farm animals, gold and silver, stock of goods, money on saving and sundry other things. For example, Zakah income, Zakah on saving, Zakah on shares and Zakah on investment. There is the general condition of Zakah which it is imposed only to Muslims and free citizen. The owner must exclusively (fully) own the properties and possess absolute control over it. The Zakah-able property must reach the *Nisaab* and complete the haul. Lastly, people who pay Zakah must have the intention to conduct business. This condition is only for Zakah on business. The collection of Zakah is distributed to eight (8) recipients which are mentioned in the Quran surah at-Tawbah: Verse 60. The eight (8) recipients' of Zakah such as *Fakir, Miskin, Amil, Muallaf, Fisabilillah, Gharim, Ibnu Sabil, and Riqab*.

Zakah collection is distributed to very specific groups of people called *asnaf* and may not be distributed to anyone else. Due to the complexity in the collection and specific nature in the distribution of Zakah, it is often found that there is a need for a specific body to properly manage its distribution and collection. Normally, such a task would fall upon the shoulders of the government of an Islamic state, as in the case of Malaysia, it is under the management of State Islamic Council. These councils would then establish a specialized department such as Zakah Department to collect and manage Zakah funds while also organizing events or activities to channel these funds to those who are in need.

Zakah plays an important role in economics by occupies an essential position in Islamic fiscal policy and operation. As suggested by Nik Mustapha (1987), there are at least three (3) implications of Zakah towards economics which are savings and investment, equitable distribution of income and wealth, and employment, and consumption level. Zakah offers a mechanism by which the assets belonging to the public are distributed to the destitute so that each and every person is guaranteed of minimums means of livelihood. The consumption level of the society will be improved with equitable sharing of income and wealth among the members of the community. Domestic aggregate demand would be heightening effect from the upgrading of the Zakah recipients to Zakah payers. In order to empower Zakah institutions in Malaysia, a number of issues need to be addressed. Even though the Zakah administration in terms of infrastructure, human capital, and delivery system and governance transparency has submitted to lots improvements, there are still issues that vital to be grasped to warrant that the administration of Zakah is progressing on the right track. In the present day, the Zakah practices in Malaysia is still facing numerous issues and challenges. pointed out that, in Malaysia, the distribution of Zakah is still inefficient and unable to trace the potential Zakah payee. Based on a review of literature on current Zakah issues, the collection of Zakah in Malaysia still far from the potential predicted, the distribution of Zakah is inefficient, and the role of Zakah to combat poverty is questioned.

The central issue that this study wanted to highlight is the collection of Zakah in Malaysia is still far from the potential predicted. One of the reasons why the collection of Zakah did not achieve the target is might be the understanding or the knowledge about Zakah is still near to the ground among the Muslims. Tax-Based Modelling of Zakah compliance, has confirmed

that the factor of understanding or knowledge has significantly affect Zakah compliance. This finding supported the previous study which also claimed that the awareness to pay Zakah is due to the availability of knowledge about religion and Zakah. The latest findings in Malaysia, Mohd Ali et al. (2017) has confirmed that the collection of Zakah is influenced by the level of knowledge. Therefore, the aim of this research is to examine the literacy of Zakah among Muslims in Malaysia. The findings of this study are expected to fill the gap in the body of knowledge about Zakah and will enlighten the Zakah institution about the present situation, followed by a good strategic plan based on real findings to boost the Zakah collection.

LITERATURE REVIEW

FINANCIAL LITERACY

Various Several have been conducted to examine literacy issues. In order to understand this issue, we first need to understand what is financial literacy? The term financial literacy includes factors such as financial education, information and awareness. Lusardi and Mitchell (2014) the definition of financial literacy is the capability to use the information known to improve financial prestige. Furthermore, financial literacy or also known as a financial capability which can be defined as achieving financial well-being through applying certain levels of financial understanding and performing the needed financial conducts (Atkinson et al., 2006; Xiao et al., 2014). A financially literate person has the ability to read, evaluate, manage and converse individual financial choices that affect his material security and must be able to distinguish financial choices, debate on money and financial issues without awkwardness (Orton, 2007). US Financial Literacy and Education Commission defined financial literacy as "the skill to make useful decisions and to take effective actions related to the current and future use as well as management of money" (Basu, 2005). Although the definition of financial literacy might vary depending on research the basic definition always includes the ability of a person to understand a financial product despite the usage of different terms and also the capability to make decisions based on the knowledge a person possesses.

Several past studies have been conducted to examine issues related to financial literacy. For example, a study conducted by Mahdzan et al., (2017) examined the understanding of Shari'a concept and the influential factors towards the adoption of Islamic banking in Malaysia. The study is conducted due to a lot of reports regarding the lack of understanding among Islamic bank customers towards the product's concept as well as the Arabic terminology used. The method used for this study is by taking 200 working MBA students in one of the top public university in Malaysia and the study employed a quantitative approach by distributing a questionnaire survey. The findings show that the respondents understanding on the many Islamic banking concepts is at an unacceptable level. However, further analysis shows that two factors that can boost the adoption of Islamic banking services are the understanding of Islamic banking concepts and perceived the advantage of the product. The same research finds out that financial literacy, necessary financial behaviour and the financial capability index are strong mediators between financial education and financial satisfaction (Mahdzan et al., 2017). In other words, it can be said that the respondents will have a superior ability to manage their money and perform financially if they receive financial education. This study also indicates that financial education will improve subjective financial literacy better compared to objective financial literacy, which subsequently improves the financial well-being. Financial education

will also affect financial satisfaction directly and indirectly. However, respondents that demonstrate high levels of financial capability are less dependent on financial education in order to attain financial satisfaction whereas financial education is more helpful towards respondents with low financial capability.

Potrich, et al., (2016) conducted research by developing financial literacy model for university students. Financial literacy has become a national issue in many countries. Governments have invested a lot in trying to identify the best way to improve the financial literacy of people. Therefore, this research took a random sample from 534 students of public and private universities situated in southern Brazil. The result is analyzed by using structural equation modelling and the findings show that the measures for behaviour and attitude have been reduced in the model estimation phase. The best-adjusted model proves that financial behaviour is being affected most by two factors that are financial knowledge and financial attitude. A study conducted by Garg and Singh (2018) The study reveals that the financial literacy level among youth is low across the most part of the world that has become a cause of concern. Also, it has been observed that various socio-economic and demographic factors such as age, gender, income, marital status and educational attainment influence the financial literacy level of youth and there exists an interrelationship between financial knowledge, financial attitude.

Based on the past studies discussion, we find that the scope of the study related financial literacy is skewed on the first sector of the financial industry which is the banking industry. This industry is getting attention from academic researchers' due to the bankruptcy issue which has linked to the literacy of the financial participants. The present study would like to look at another financial industry which is philanthropy financial giving such as Zakah. This financial activity is a compulsory financial giving act for every Muslim which is currently being given huge attention by Muslim scholars and Muslim in general. Therefore, the need to understand the direction and contribution of Zakah is relevant and many stakeholders are keen to know the situation of Zakah especially its effectiveness to society as well as the understanding of Zakah among the Muslim.

ZAKAT

Based on the search and compilation of the past studies on Zakah, we rarely found that a study which has been conducted to examine the literacy of Zakah among the Muslim. Most of the past studies on Zakah covers on broader scope of contribution such as effectiveness of Zakah contribution to the beneficiaries (Rusni and Nur I'ffah, 2016), Accounting treatment (Akhyar Adnan & Barizah Abu Bakar, 2009), trust of Zakah payer (Oladimeji Abioye Mustafa, Har Sani Mohamad, & Akhyar Adnan, 2013), Zakah payment behaviour (Al Jaffri Saad & Haniffa, 2014; Sapingi, Ahmad, & Mohamad, 2011), Zakah and poverty alleviation (Abdullah, Mat Derus, & Al-Malkawi, 2015; Ahmed, 2004), the used of Zakah fund for the Micro-Takaful program (Adekunle Mikail, Ali Jinnah Ahmad, & Saheed Adekunle, 2017). Based on these past studies coverages, we believe there is a need to examine the literacy of Zakah which will gauge the current understanding of Muslim on Zakah's practised as well as the theory.

RESEARCH DESIGN

To achieve the objective of this study, a cross-sectional study is conducted. This study is using the tool of a questionnaire to collect the primary data. The unit analysis of this study is Muslims in Malaysia. This is an observational study and was conducted under the non-contrived setting (natural environment). The variables are neither controlled nor manipulated. The technique of convenience sampling was adopted due to the unavailability of data. The data were gathered over 2-week period after the launch of online questionnaires. The set of questionnaires was handed out to the respondent by using a hard copy set. Before data collection data, the Pilot study involving question and questionnaire development has been conducted. The questionnaire was divided into two (2) sections, the first section is to justify the dynamics of demography, and the second section is to measure the level of understanding about Zakah. The questions have been set in dual language.

SCALES AND MEASUREMENT

For question 1-16 which evaluate the basic understanding of Zakah, we are using multiple choice questions (MCQ). It is than analyze using a nominal scale. The interval scale of measurement was applied in question 17 to 19. The respondents were asked to read and indicate their agreement or disagreement with each of the statement designed at question 17 to question 19, using the 5-point scale. For the case study in question 20 to question 23, it is designed as close-ended questions. Questions 24 to questions 30 are about the demographics of the respondent. Both the case study and respondents' demographic are measured using a nominal scale. Two hundred (200) Muslims voluntarily completed the questionnaire. The final questionnaire had 30 questions to measure the constructs of interest as well as some demographic questions.

DATA ANALYSIS AND FINDING

DEMOGRAPHY ANALYSIS

Table below depict the demographic analysis. Out of 300 questionnaires distributed, a total of 200 questionnaires were replied and all could be used for analysis purposes. The response rate of more than 70% is acceptable according to (Holbrook, Krosnick, & Pfent, 2008). The respondents comprised of 11.5 % males and 88.5 % females. The majority of respondents are 21 to 25 years old and have income RM1000 and below. The majority of respondents, i.e. 54%, were single and the rest were married (43%) and others (6%). From all respondents, 23 (11.5%) is male and 177 (88.5%) is female. Table 5.1 below shows the range of age of the respondents. There are six ranges of age of the respondents starts from 17 until 20 (8%), 21 until 25 (41.5%), 26 until 30 (21.5%), 31 until 35 (13.5%), 36 until 40 (7.5%), 41 and above (8%).

Table 1: Profile the Respondents

Respondent's Demographic		Frequency	Percentage (%)
Gender	Male	23	11.5
	Female	177	88.5
Race	Malay	194	97.0
	India	1	0.50
	Others	5	2.50

Age	17-20	16	8.00
	21-25	83	41.50
	26-30	43	21.50
	31-35	27	13.50
	36-40	15	7.50
	41 and Above	16	16.00
Education Level	PMR & Equivalent	3	1.50
	SPM & Equivalent	17	8.50
	STPM/Diploma	54	27.00
	Degree	110	55.00
	Master	15	7.50
	PhD	1	0.50
Marital Status	Single	108	54.00
	Married	86	43.00
	Widow/widower	6	3.00
States	Johor	22	11.00
	Kedah	19	9.50
	Kelantan	17	8.50
	Melaka	4	2.00
	Negeri Sembilan	5	2.50
	Pulau Pinang	9	4.50
	Perak	28	14.00
	Perlis	2	1.00
	Pahang	22	11.00
	Sabah	14	7.00
	Selangor	35	17.50
	Sarawak	3	1.50
	Terengganu	7	3.50
	Federal Territory of Kuala Lumpur	7	3.50
	Federal Territory of Putrajaya	6	3.00
	Income	RM1001 and below	110
RM1001-RM2000		29	14.50
RM2001-RM3000		17	8.50
RM3001-RM4000		19	9.50
RM4001-RM5000		8	4.00
RM5000 and above		17	8.50
Pay Zakah	Yes	148	74
	No	40	20
	Not Sure	12	6

Table 1 shows that 97% of the respondents are Malay, 2.5% is others and 0.5% is Indian. Level of education of the respondent is shown in table 5.1 where majority the respondents have the level of education as a degree holder where there are 110 (55%) of the respondents, followed by STPM/Diploma and equivalent 27%, SPM and equivalent 8.5% then Master holder which is 7.5%. PMR and equivalent 1.5% and the rest is Ph.D. holder which 0.5%. The table also illustrated that 52% of respondents are single, 42% are married and only 6% are widow/widowers. Majority of the respondents come from the central region which is Selangor. It is the highest among the other states with 17.5% or 35 of respondents, followed by Perak

which is 14%, Pahang (11%), Kedah (9.5%), Kelantan (8.5%), Sabah (7%), Pulau Pinang (4.5%) and 3.5% from Terengganu and Federal Territory of Kuala Lumpur respectively. Federal Territory of Putrajaya is the fourth lowest number of the respondent with 3% of the respondents comes from there, followed by Negeri Sembilan (2.5%) and 2% from Melaka. Lastly, 1.5% of respondents come from Sarawak. In terms of income, 55% of the respondents have RM1000 and below income, 15% of the respondent's income in range of RM1001 until RM2000, 10% of the respondent's income level in range RM3000 until RM4000, 9% of the respondent's incomes level in range RM2001 until RM3000 and RM4001 until RM5000 respectively. Only 4% of the respondents have the level of income RM5000 and above. Finally, out of 200 respondents, the majority of them are Zakah payer. However, it unknown why the remaining 26% of samples did not pay Zakah.

DESCRIPTIVE ANALYSIS

From the descriptive analysis, Figure 1 indicated that 68.5% of respondents have basic knowledge about Zakah by knowing that Zakah is the concept of Islam taxation. While 30.5% of respondents believe that Zakah is alms are considered to have a slight knowledge about Zakah. Zakah is indeed alms, but it is compulsory.

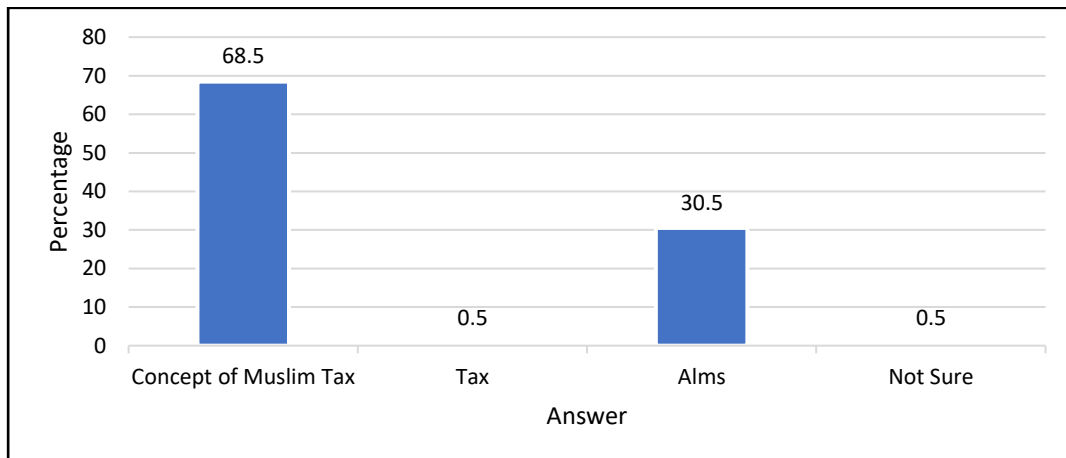


FIGURE 1: What Is Zakah

When the respondents have been asked “Is Zakah included in the pillars of Islam?”, 97% out of sample answer correctly “Yes” as shown in Figure 2. If the respondents aware that the pillars in Islam mean obligatory to be executed, they should understand that Zakah is compulsory when the term and condition are met.

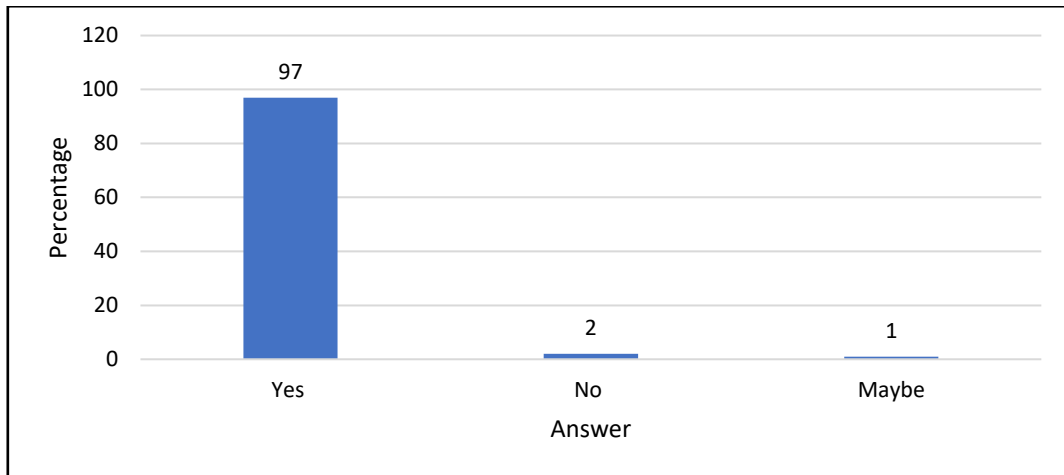


FIGURE 2: Is Zakah Included in The Pillars of Islam

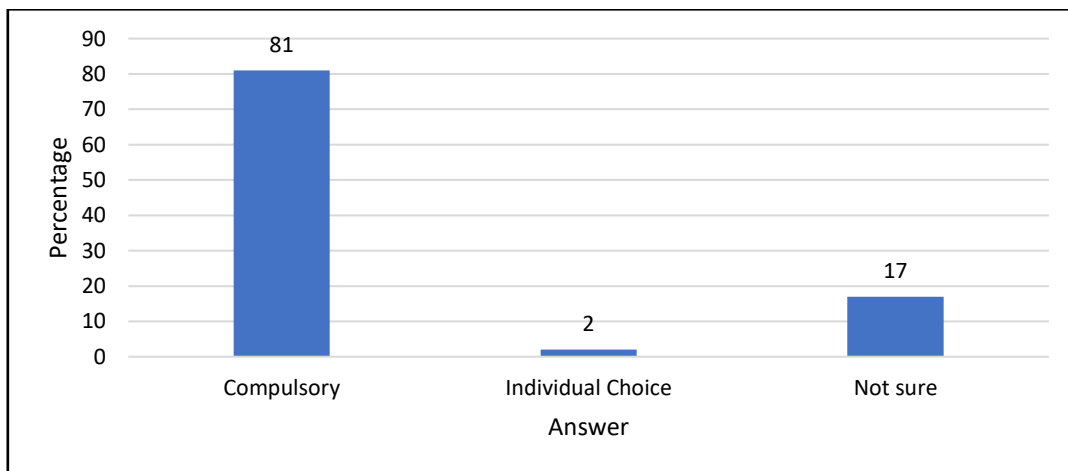


FIGURE 3: Do You Know the Law of Paying Zakah

Figure 4 shows the descriptive answer of respondents when they have been asked: "Who is obliged to pay Zakah?". 79% of the respondents answered that Zakah is only for Muslim who qualified. This result shows that the majority of the sample has basic knowledge about who is obliged to pay Zakah.

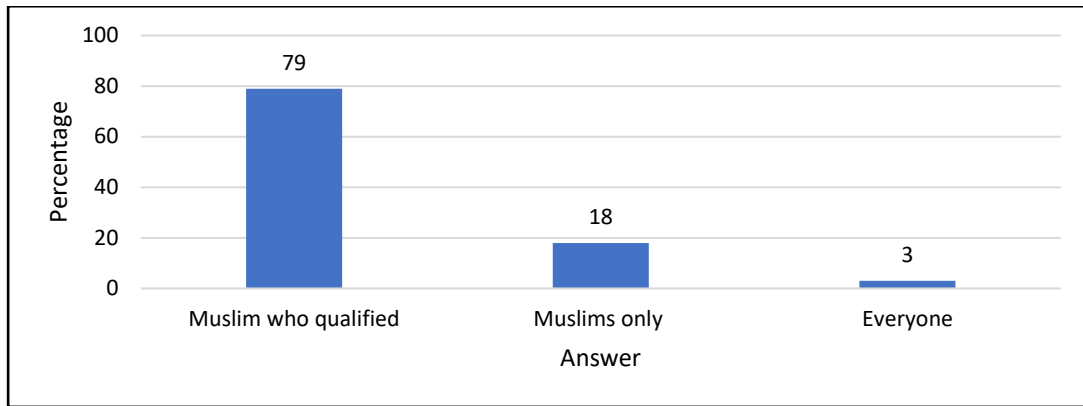


FIGURE 4: Who Is Obligated to Pay Zakah

Figure 5 and 6 show the answer of respondents regarding their knowledge about Asnaf. 92% of all respondents confessed that they have knowledge about Zakah. However, when the respondents have been asked the number of Asnaf group in Islam, only 36% of all respondents answered correctly. This descriptive analysis proved that the majority of the samples did not have adequate knowledge about Zakah.

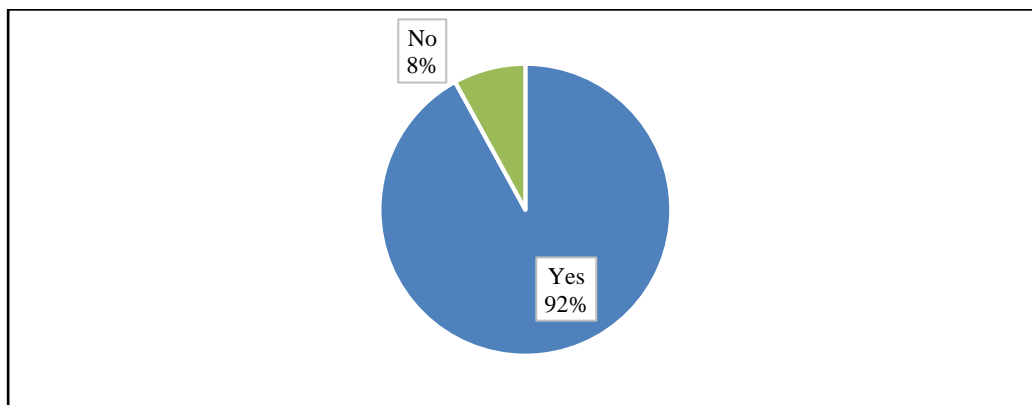


FIGURE 5: Do You Have the Knowledge About Asnaf

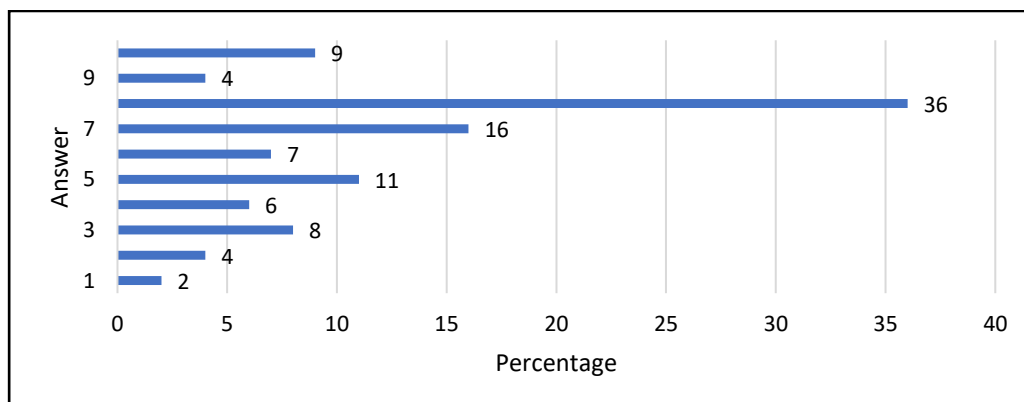


FIGURE 6: How Many Groups of Asnaf?

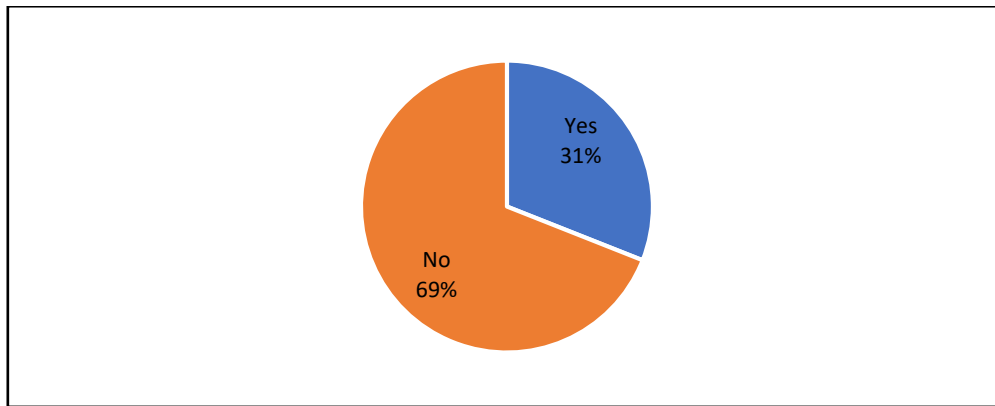


FIGURE 7: Do You Know The Calculation Of Zakah Income

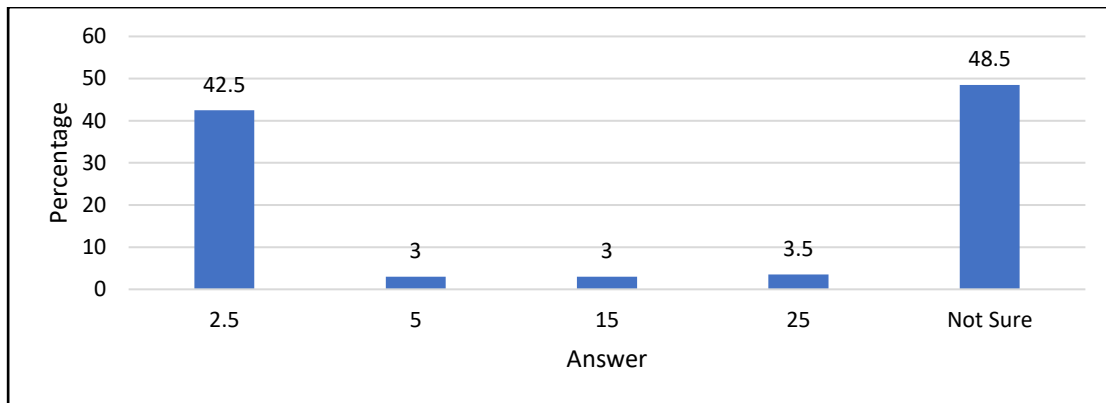


FIGURE 8: How Much Percentage Should Be Paid Through Zakah Income

Finally, according to Figure 7 and 8, the respondents have been asked on whether they know about the calculation of Zakah income. Only 31% respondents believe themselves knowledgeable of the calculation of Zakah. This means the majority of the respondent does not know how to calculate their Zakah income. The findings in Figure 7 is supported by answered in Figure 8 where only 42.5% of the sample answered correctly the percentage, they should pay for Zakah income.

DISCUSSION AND SUGGESTION

Having a concrete understanding regarding Zakah is fundamental to each Muslim as they do have an obligation on it when the time comes. This paper is focusing on the literacy of Zakah among Malaysians to evaluate whether we know the true concept of Zakah and do we believe that Zakah has a significant impact either for individual or prosperous society or both. Majority of respondents agree that Zakah is component of religious or Islamic tax, but a quarter of respondents think that Zakah is a form of sadaqah which deriving an understanding of involuntary action while the truth of Zakah is compulsory for each Muslim. These two concepts are too close to differentiate and the basic line is not clear which lead to confusion. The closest factor that built up these views is probably education received whether from formal education

and education from a family where the exposures towards religion are matters. There are various sources of information towards literacy of Zakah ticked by respondents and these shows other platforms do facilitate in delivering knowledge of Zakah including social media and electronic media such as the role played by Jabatan Kemajuan Agama Islam Malaysia (JAKIM) through IKIM FM. This research does in line with the expectation, where researchers expect more than the third quarter of respondents could have clear basic understanding in terms of concept and practice of Zakah and almost 100% know that Zakah is one among five pillars of Islam and paying the Zakah is compulsory to each Muslims.

The confusion begins when the research going deeper in terms of which wealth is liable to Zakah, amount percentage needed and channel of distributions. The basic idea is good where the terms and jargons used in Zakah are realized and well-known such as *asnaf*. Further information regarding *asnaf* is not really clear where the answer is dispersed widely in terms of numbers of category and item in each category. Almost half stating that they are not sure the percentage of Zakahable item relating to differentiation types of Zakah. Zakah Fitr is the most famous and well-known to all and Zakah *maliyah* is opposed. The feedback of respondents asked for another answer as the answer they wish is not provided there. RM7 is the common value for Malaysians which refer to Zakah Fitr. The feedback gives hint for confusion and not realized on the other type of Zakah. A few assumptions could be made whether respondents are not entitled to pay Zakah *maliyah* or automatic systems that facilitate the calculation of Zakah, for example, saving in Tabung Haji are already deducted Zakah and manage by Tabung Haji and also income tax are sync with Majlis Agama Islam Negeri (MAIN), so that they not take note the percentage they paid monthly (by choice) or annually (by right). As expected, item orphanage and old folks are giving distractions which indicate there is inaccurate understanding about the category of Zakah-receiver and a few categories are not recognized by them such as a person who in debt, the person who appointed to collect and distribute Zakah. The reason behind is due to priority and mindset that Malaysian have. Distribution of Zakah is mainly focused on poor and needy but not neglected the other categories.

Rough observation through electronic media such as televisions and radio indicates the priority is giving on needy and poor and it implicates the way public view the distribution of Zakah where they tend to think Zakah fund is restraint only to poor and needy. Thus, this issue moves to higher levels which then lead to shamefulness of receiving Zakah. The receiver is labelled as poor where it eradicate the honoured of receiving Zakah as a responsible but twisted to shame and humiliate. Here, where the literacy of Zakah need to be performing well so that it will abolish this kind of mindsets and have a proper judgement toward both parties. The manifestation of Zakah literacy could be proved by paying the Zakah. The third quarter of respondents do pay Zakah through various ways provided but it contradicts with the way of calculating Zakah which shows almost the third quarter do not know how to calculate the amount of Zakah. It does not matter seriously as all Zakah Centre in all states do provide consultation services to help citizen trace their Zakah able item and do the calculation on it.

There are also a few innovative Zakah Centre like Pusat Zakah Wilayah Persekutuan that have a web page and do have an application to run the calculation on Zakah. It eases the work and preferable as you may pay Zakah online. All the deductible expenses are already in format and the user only needs to fill in while the system runs the calculation. These kinds of things do encourage Muslim to fulfil the obligation but for some whom not alert, they take it

for granted leads to zero knowledge on percentage liable to Zakah. Zakah is agreed to have a significant impact on individual, society and accelerated economic development by alleviating poverty. The impact of Zakah clearly can be related to the distribution of Zakah funds. There is a cross-dimensional of distribution Zakah funds by Zakah Centre where the objective of lending the Zakah funds is diverse. For example, Kedah Zakah Centre aimed to alleviate poverty through mainly on education as tools to mobilize social equality.

The objective is different with Zakah Collection Centre (PPZ) whereby PPZ aims to ensure the Zakah-receiver one day will be Zakah-payer. The difference is due to demographic profile and geographical factor of each country where Kedah, Terengganu and Kelantan have a higher population who are poorer compared to Kuala Lumpur which can be categorized as needy. In terms of the population also need to be accounted for and the range of income per capita for each state does determine the vision and mission of Zakah Centre. A small number of people relatively compared with a wide range of income per capita does suit with the objective of PPZ and a big number of citizens relatively compared to constrain the range of income make the objective of Kedah Zakah Centre rationale. Both objectives do give a significant impact on the society and economy according to the needs and time range where it takes a generation to see the effect of Zakah in Kedah compared in Kuala Lumpur. Overall, Malaysian represented by these 200 respondents do have a basic understanding of Zakah in terms law implied and conditions but then they do confuse with the amount liable to Zakah, Asnaf, category of Zakah and so forth. Only 75% is good in concept and practice of Zakah while the balance needs to take concern steps in order to educate them. It is important to get rid of the misunderstanding of Zakah and concern about how Zakah could work and functions prosperously yet effective.

CONCLUSION

In conclusion, most of the respondents have a basic understanding of Zakah but not take note deeply about its items and categories in Zakah implementation. Based on the study, there is only 75% of respondents are really understand the concept while the rest need more disclosure on Zakah and how it is been implemented in Malaysia. Overall, the result of this study is not as expected where we hope that third quarter of respondents could have a clear basic understanding in terms of concept and practice of Zakah. Almost 100% know that Zakah is one among five pillars of Islam and paying the Zakah is compulsory to each Muslims. But, most of the respondents started to confuse when it comes to the deep understanding of Zakah such as the item of Zakah-able, the calculation of Zakah, types and also the categories of recipients that called as Asnaf. This happened because of the facilities are given like paying Zakah automatically cuts through income and saving also make people do not the note about the percentages of Zakah payment and only focus on Zakah *fitriah* without knowing the categories of Asnaf. This research hopes to shed some light about the condition of Zakah understanding among people in Malaysia so that disclosure and improvements can be made to increase the understanding of people about Zakah. This is important because it is one of five pillars of Islam and also an economic source to help the Muslim in our country.

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