# The Impact of Knowledge on Islamic Philanthropy Fund Allocations: An Analysis of Moslem Society

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Abstract:     Islamic philanthropic funds are known as Zakat, Waqf (Endowments), Infaq and Shadaqah can be used as a mechanism of poverty alleviation and income distribution. Decision making for Islamic philanthropic fund allocation as the initial stage of forming behavior, starting from knowledge about Islamic philanthropy as the main thing of attitude regarding o the allocation of social funds as Islamic philanthropic fund. Lack of knowledge of Islamic philanthropy can lead to a minimum acceptance of Zakat, Infaq, Sadaqah, and Waqf as endowments fund. The purpose of this study was to determine the effect of knowledge on the allocation of Islamic philanthropic funds of Muslim communities. The method used is a descriptive method with a quantitative approach. This research was carried out on the Moslem people who allocated their Zakah, Infaq, Shadaqah, and Waqf through the philanthropic institution was known as Dompet Dhuafa and Zakah Amil institution as known as LAZ Al-Azhar. Questionnaires, observation and in-depth interviews were used for data collection. The results of this study indicate that there is an influence of knowledge on the fund allocation of Islamic philanthropy in the Indonesian Moslem community.

## 1 INTRODUCTION

Since 1998, Compound Annual Growth Rate (CAGR) note that the poverty rate in Indonesia has fallen by 3.04%, whereas Indonesia's poor population reached 16.70 million of September 2017 with a composition of 38.5% in the city and 61.5% in rural areas. (Bank Indonesia, 2018). Actually, poverty reduction can be done through income distribution between rich and poor people. This is in line with the findings of Bank Indonesia in 2017, which social assistance that grew by 6.96% per year had a high correlation with the decrease in the number of poor people by -0.54. This can be seen in the decline of poverty in rural areas by 3.29% and 2.63% poverty reduction in the urban cities.

As Islamic doctrine, fulfilling basic needs becomes the minimum standard which is an important element as mentioned in maqasid Syariah. Adequacy in a good standard of living (Nisab) is the most underlying thing in the income distribution-redistribution system (Nasution., et al, 2007). Each person in the Muslim community must be encouraged to be able to achieve the minimum for basic fulfillment, then strive to be able to achieve the standards of living above assets ownership (Nisab). Islam has its own instrument to solve the problem of income distribution equalization and poverty alleviation, that known as Zakat, Infak, Sadaqah, and Waqf (ZISWAF) or known as Islamic philanthropy funds. The distribution of income in the context of the household will be strongly related to the terminology of shadaqah (alms) which can be understood in two aspects, namely obligatory alms (obligatory) and almsgiving (sunnah). The Indonesian Muslim community generally knows the obligatory alms instruments in the form of zakat while the alms of salvation (sunnah) are infaq, shadaqah (alms itself), waqf (endowments), and wills (wasiah). This terminology is known as ziswaf in Indonesia and Islamic philanthropy fund in general.

Islamic philanthropy is a worship that contains two dimensions, namely hablummina Allah or vertical dimensions (between human and God) and hablumminannas or horizontal dimensions (between

human and another human being). Zakah, as one component of Islamic philanthropy fund, is an obligation for Muslims who are considered capable (according to Islamic criteria) to issue between 2.5% -20% of the proportion of their assets to be distributed to those who are entitled to receive the zakah as mentioned in Al-Qur'an. In the vertical dimension, when Zakah, Infaq, Shadaqah, and Waqf (endowment) is fulfilled according to Shari'a guidance, it will improve the quality of faith, cleanse and purify the soul, will develop and endow possessions also.

In several studies, Islamic philanthropy fund experienced very rapid progress in Indonesia. However, behind that rapid progress, there are still many problems that need to be resolved. Some problems as like as the weakness of public attention towards zakah are the gap in the reception of zakah potential and collection of zakah its self. (Huda et al, 2013). The results of research that conducted by BAZNAS and FEM IPB (2011) reported that Indonesia has the potential of zakat funds about Rp 217 trillion per year. In 2011, the total collection of zakah, including infaq and shadaqah (alms) reached Rp 1,729 trillion only, which is less than 1% of the total potential availability of zakah. According to Jahar (2010), lack of coordination and less synergy between zakah institutions (amil) was the factors that caused the low realization of zakah collection and reception. In addition, the gap between the potential and realization of zakah collection and reception are due to the low attention and understanding of the Muslim community towards zakah, so it still needs to be improved (Huda et al, 2013). For this reason, Hafidhuddin (2011) states that socialization and education to the community are some steps that can be taken to explore more the potential of zakah. It also related to the law and wisdom of zakah, the assets object that zakah must be issued as well as the procedures of zakah calculation. According to those issues, Islamic philanthropy fund's socialization and education of the community are closely related to the level of Muslim communities knowledge who allocate their fund to the Islamic philanthropy.

## 2 THEORICAL FRAMEWORK

Philanthropy interpreted as a conceptualization of voluntary giving practice, voluntary services, and voluntary associations to help other parties in need as expressions of love. Philanthropy in the sense of giving donations also equated with the term of charity (Kim Klein, 2001). The term philanthropy is interpreted with a sense of concern for human being fellows which manifested in the form of giving alms to others (Ilchman, 2006).

The term philanthropy related to Islam shows that the practice of philanthropy in the Islamic tradition carried out through zakat, infaq, charity and endowments (Abu Zahrah, 2005). Then zakah, infaq, shadaqah (almsgiving), and waqf (endowments) is a manifestation of Islamic philanthropy. This term can help to bring up the discourse of Islamic generosity that can reach more discourse with wider issues. The problem will not be observed in terms of traditional discourse only, such as Islamic jurisprudence and Islamic ethics, but also can relate it with social justice, people's welfare, civil society, public policy, good governance and professional management issues. Those show that Islamic philanthropy as if utilized and optimized well, can be an alternative solution in alleviating poverty and income distribution.

Islam advocates Muslims to be philanthropic so that the wealth does not only revolve among rich people (QS al-Hashr: 7). When explaining philanthropy, the Qur'an often uses the terms of zakah, infaq, and shadaqah (almsgiving) which contain the meaning of charity. Generosity in Islam, which includes broad dimensions of goodness such as zakah, infaq, shadaqah (almsgiving), and waqf (endowments) are terms that indicate the official form of Islamic philanthropy. This Islamic philanthropic system was then formulated by the jurists which reliance on the Qur'an and the hadith of the Prophet regarding detailed provisions, such as the types of assets, minimum levels, amounts, and other rules.

Sometimes The Qur'an does not introduce the term of zakah, but alms. However, on the order of discourse, terms of zakah, infaq and alms is sometimes also contained special meanings and are also used differently (QS. At-Tawbah: 60). Zakah is often interpreted as an expenditure of property that is compulsory and as one of the pillars of Islam which count based on certain calculations. Whereas Infaq often refers to gifts that are not zakah, which are sometimes larger or smaller than zakat and are usually given for the public interest. For example, infaq for mushalla assistance, mosques, madrasahs or schools, and Islamic boarding schools. Alms usually refers to small amounts of charity that handed over to poor people, beggars, buskers, and others. Whereas waqf is almost the same as infaq, but has benefit-based with a lasting thing that can not be used based on its waqf contract; may not be traded and may not be inherited (Al-Makassari, 2006).

The urgency of philanthropy in Islam can be seen from the way of how Qur'an emphasizes the balance

between issuing zakat and establishing prayer. As strictly as the command regarding zakat, Qur'an repeats 72 times the command of zakat (ita az-zakat) and associates it with the command of prayer (iqam ash-shalat). In other hands, the word infaq with various derivation forms appears 71 times and the word Shadaqah (alms) appears 24 times which shows the meaning and activities of Islamic philanthropy. Then, prayer as the main pillar of Islam, so the practice of zakat is considered equal to the performance of prayer (QS al-Baqarah: 177).

As mentioned, for Muslims, Islamic philanthropic fund allocation, better known as zakah, infaq, shadaqah (almsgiving), and Waqf (endowments) is something that is related to faith. So that the knowledge of that Islamic philanthropy is the basis for considering and then deciding to allocate individual finances to this Islamic philanthropy. This is according to the hierarchy of effect theory was introduced by Lavidge and Steiner (1961) which states that there are several mental stages in person after being exposed to marketing communications of a product or service, until he decides to choose and use the product. There are three stages in the model, namely the stages of cognitive, affective and behavior. In accordance with this study, which uses the cognitive stage only, that is the knowledge and behavior stage also like the decision. This study also uses the concept of marketing communication to explore the impact of knowledge in allocating a social fund of Islamic philanthropy.

Marketing communication is defined as an application of communication that aims to assist marketing activities of a company which is a combination of five communication models in marketing, including advertising, sales promotion, individual sales, public relations, and direct sales so that the company's goals are achieved, namely an increase in income overuse of products or services offered (Kennedy and Soemanegara, 2006). Communication is needed in community life, the method of communication for Islamic philanthropy socialization to the community is a method that very helpful in developing Islamic philanthropy both from the government and social institutions also.

Socialization, as defined by Veeger (1990), is a teaching and learning process, through individuals learning to become members of society, where the process does not solely teach patterns of social behavior to individuals, but also individuals develop themselves or carry out their maturation process (Setiadi, 2011). According to Notoatmodjo (2005), Knowledge covered in the cognitive domain has six levels, namely knowing, understanding, application, analysis, synthesis, evaluation. Decision making is defined as the selection of a decision or policy based on certain criteria. This process includes two or more alternatives because if there was only one alternative there would be no one decision to be taken (Dagun, 2006).

Knowledge as a change in an individual's behavior that comes from experience. It shows that consumer knowledge as an amount of experience and information that someone knows about a particular item or service (Mowen, 2001). Another opinion describes knowledge as information that a person keeps in his brain's memory, some of that information serves consumers to recognize the market, and this is referred to as consumer knowledge. (Engel, Blackwell and Miniard, 1994).

## 3 RESULT AND ANALYSIS

General characteristics of respondents in this study can be seen based on gender, age, education, employment, and monthly income. Following is the profile statistics table of respondents in this study along with the description.

Table 1: Profile of Respondents

| Characteristic | Total | Percentage |
| --- | --- | --- |
| Sex | | |
| Men | 128 | 67.7 |
| Woman | 61 | 32.3 |
| | | |
| Age | | |
| 18-25 | 14 | 7.4 |
| 26-35 | 41 | 21.7 |
| 36-50 | 91 | 48.1 |
| >50 | 43 | 22.8 |
| | | |
| Education | | |
| Elementary/JuniorHS/SeniorHS | 8 | 4.2 |
| | 10 | 54 |
| Diploma/Bachelor | 2 | 41.3 |
| Magister/Doctoral | | |
| | 78 | |
| Employment | | |
| Civil Servants/Army/Police | 6 | 3.2 |
| | 114 | 60.3 |
| | | |
| Employee | 37 | 19.6 |
| Entrepreneur | 32 | 16.9 |
| Others | | |
| | | |
| Income | | |
| ≤ Rp. 5.000.000 | 19 | 10.1 |

| | | |
|---|---|---|
| 5.000.001 - 8.000.000 | 29 | 15.3 |
| 8.000.001 – 10.000.000 | 32 | 16.9 |
| 10.000.001 – 15.000.000 | 51 | 27 |
| Above 15.000.001 | 58 | 30.7 |

The table above shows that the majority of respondents are male, that is equal to 67.7 percent, while 32.3 percent are women. Most of the respondents were in the productive age of 77.2 percent with a dominance of 48.1 percent in the age range of 36-50 years and 21.7 percent in the age range of 25-36 years and 7.4 percent in the age range of 18-25 years, while the other 22.8 percent were not in productive age. Most of the educational background taken by respondents is Diploma and Bachelor, which is as much as 54 percent, then followed by magister and doctoral graduates as much as 41.3 percent, then elementary/middle and high school / vocational school graduates of 4.2 percent.

Respondents of this study mostly were company employees and BUMN employees with a percentage of 60.3 percent, then followed by entrepreneurs amounting to 19.6 percent, then other jobs such as teachers, craftsmen, therapists, etc. were 16.9 percent. The respondents who work as civil servants, military and police are 3.2 percent. Meanwhile, the income of respondents is generally above 15 million rupiahs per month, which is 30.7 percent followed by income in between 10 million - 15 million per month as much as 27 percent and income of 8 million - 10 million per month, amounting to 16.9 percent, which is slightly different from respondents with 5 million - 8 million per month, 15.3 percent. While the rest, a total of 10.1 percent are respondents with an income of around 5 million per month.

## 4 DISCUSSION

This study was carried out to ensure the urgency of public education and socialization of Islamic philanthropy which can impact to fund allocation. As Houston (2010) describes the construction of financial literacy in the form of knowledge, abilities, and attitudes or self-beliefs as indicators in measuring one's financial literacy level. This is in line with Mason and Wilson (2000) who describe financial literacy as the ability of a person to understand and evaluate relevant information for decision making by understanding the financial consequences it causes. Regarding those construct, known (knowledge) as one of Islamic financial literacy, reflected as one of the instruments that influence the community in allocating their philanthropy funds.

As this research conduct in the form of financial literacy constructs by looking at knowledge, ability and also attitude or confidence as instruments, results of data analysis in the regression coefficient test, shows that the equation model is obtained as follows:

$ZiswafAloc = 4.176 + 0.85Knwldge + 0.161Ability + 0.096AttitudeConf$

Based on the model, can be explained that the value of philanthropy fund allocation without knowledge, abilities and attitudes or beliefs is 4,176 units. While each knowledge increase one unit with the assumption that ability and attitudes or beliefs were constant will cause an increase in the allocation of public philanthropy funds by 0.85 times. As for each increase one unit of ability by assuming knowledge and attitudes or beliefs were constant, will cause an increase in the allocation of public philanthropy funds by 0.161 times. Whereas every increase one unit of attitudes or beliefs by assuming that knowledge and abilities were constant, will cause an increase in the allocation of public philanthropy funds by 0.403 times.

As Veeger (1990) defining socialization as a teaching and learning process through individuals learning to become members of society, where the process does not solely teach patterns of social behavior to individuals, but also individuals develop themselves or carry out their maturation process (Setiadi, 2011). According to Notoatmodjo (2005), knowledge covered in the cognitive domain has six levels, namely knowing, understanding, application, analysis, synthesis, evaluation. Decision making is defined as the selection of a decision or policy based on certain criteria. This process includes two or more alternatives because if there was only one alternative there would be no one decision to be taken (Dagun, 2006). The study also carried out to ensure that there is perfect relationship by looking at the coefficient of determination ($R^2$), which is indicated by whether changes in knowledge, abilities, and attitudes or behavior that will be followed by the allocation of community philanthropy funds in the same proportion. Then R2 value can be seen in the following table:

Table 2: R2 value

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .573[a] | .328 | .317 | 1.159 |

a. Predictors: (Constant), AttConf, Knwldge, Ablty
b. Dependent Variable: PhilanthropyAllocation

Source : Primary data, managed, 2018

The table above shows that the R Square is 0.328 or (32.8%). It is mean that the percentage of the influence of knowledge, ability and attitude or confidence in the allocation of public philanthropy funds is 32.8%. In other words, knowledge, ability and attitude or confidence are able to explain 32.8% of the variation in the allocation of public philanthropy funds. While the remaining 67.2% is influenced or explained by other variables that not included in this research model. The table above also shows 0.573 as R number that means there is a moderate relationship between knowledge, ability and attitude or belief in the allocation of community philanthropy funds.

Furthermore, in the t-test, both knowledge, ability and attitudes or beliefs each partially have an influence on the allocation of community philanthropy funds. So this reinforces the importance of education and socialization of Islamic philanthropy to the muslim community.

In the simultaneous test of significance, the value of F calculated was 30,109 and a significant number (P value) of 0,000. By a significance level of 95% ($\alpha$ = 0.05) and a significance number (P value) of 0,000 that smaller than alpha ($\alpha$ = 0.05). Based on these comparisons, knowledge, abilities, and attitudes or beliefs have a significant influence jointly on the allocation of community philanthropy funds.

The results of those analyses explain the construction of Islamic financial literacy which starts from knowledge. This is in line with the theory that has been described in the literature review, where a stimulus through the process of knowledge and understanding will produce a response (effect) in the form of the ability to choose which will ultimately affect the attitude (behavior) of the individual. This attitude will make individuals confident in allocating funds for Islamic philanthropy, as explained by The hierarchy of effect theory were introduced by Lavidge and Steiner (1961) and the tri Component of Attitude

(Engel et al., 1995) that the components are in a consistent relationship, where the component reflects the cognitive component where individuals have the knowledge and understanding of philanthropy, then the affective component aspect that describes how individuals consider their asset allocation for philanthropy, to the conative component aspects that reflect individual attitudes or beliefs in channeling some of their assets to the philanthropy.

## 5 CONCLUSION

Based on the results of data analysis and discussion, can be concluded that even though knowledge as cognitive aspect then followed by affective conative aspect able to explain only about 37% of philanthropy fund allocation, knowledge is valuable as a starting point to influences the community in allocating funds for philanthropy. Regarding those, a suggestion to forward that both the government, Ulama, Amil Zakat Institutions and Waqf Institutions also need to pay special attention to conducting education and socialization regarding Islamic philanthropy. Thus, efforts to achieve community welfare can be realized by philanthropy funds distribution. In addition, educational institutions also need to help the government in educating the public regarding Islamic philanthropy so that the target of economic growth and the welfare of the poor people can be realized. In addition, Amil zakat and Waqf institution need to be more active in increasing public awareness regarding Islamic philanthropy so that the target in receiving philanthropy funds can also be achieved. Another thing, further research is needed to use or may add other variables for better research result

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