

The Impact of Zakat Literacy, Trust, and the Accessibility of Digital Payments on Generation Z and Y's Intention to Pay Zakat to Central Zakat Fund, the State Bank of Pakistan

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ABSTRACT

Even though 96% of Pakistan's population is Muslim, the enormous capacity for zakat management in Pakistan has sadly not been utilised. Several Muslim groups in Pakistan prefer to contribute their zakat immediately toward the Central Zakat Fund instead of officially to the government. This behaviour has turned into a major issue that needs to be investigated and fixed. In this research, several variables are examined, including zakat literacy, trust, and the accessibility of digital payments, which have been linked to people's intentions toward zakat collection and zakat management organizations are examined. A sample of 100 young Muslims, specifically members of generation Z as well as the millennials, participated in this study in Sindh. The analysis method used was multi-regression analysis. The findings indicated that the Zakat literacy variable had a limited impact on Generation Z and Millennials' intentions to make zakat payments to zakat management organizations. While Generation Z and Millennials' intentions to contribute zakat to zakat management organizations are somewhat influenced by the factors of trust and accessibility of electronic payments. These three different research factors have an impact on Millennials and Generation Z's intentions to contribute zakat to zakat management organizations concurrently. Overall, 64.8% of the variance in the Y variable could be explained by three main research variables, X.

Keywords: zakat, intention, literacy, trust, digital payment

INTRODUCTION

The fifth-most populous nation on the globe is Pakistan. The biggest country with a majority of Muslims is noted as Pakistan. Approximately 96.50.2% of Pakistan's population is Muslim, making up 11.10% of all Muslims worldwide. Pakistan has 204 million people. The key reason why Pakistan has a sizable Muslim population is that it has a sizable possibility for zakat money to be gathered. Government estimates suggest that Pakistan's capacity for zakat in 2022 might be PKR 6.82 billion. Sadly, this enormous capability remains to be achieved when, based on the data, the zakat received only

amounts to PKR 6.82. This situation unquestionably demonstrates that there is a serious disconnect between Pakistan's capacity for zakat collection and its actual performance. The findings of a study pertaining to the Zakat Literacy Indicator, which was conducted in 2022, are consistent with the reduced rate of realization of the nationwide zakat funds. The survey's findings indicate that Pakistan's population has a middle-level understanding of zakat. Even though most Pakistanis are Muslims, the survey's findings clearly show there are issues with zakat contributions being implemented in Pakistan. There is a lack of awareness among Muslim communities that

have been taught about zakat throughout childhood and were familiar with zakat fitrah until childhood. It is possible to raise public awareness of zakat literacy by providing Muslims with constant da'wah and a wealth of information starting from an early age. This circumstance undoubtedly illustrates the anomaly of Pakistan's failure to utilise the full capacity of zakat. Only if Pakistanis had a good level of comprehension for literacy could the anticipated growth in the zakat collection in Pakistan be enhanced. The middle-level literate Pakistani population has to have their literacy level raised strategically to go to a higher level. The findings of SBP research, which indicate that even more than 83 percent of zakat gathered is handled by unauthorized Zakat Management Organizations, further demonstrate the negative effects of inadequate zakat literacy. Thus, in addition to the issue of inadequate zakat literacy among Pakistani Muslims, there also exists an issue with people's propensity to choose to spread the things that are thought to be the cause of this situation. Research that has already attempted to look into this gap currently includes a few. Some research, such as that by (Yunita, 2021), demonstrates the significance of literacy as a component of key elements in the optimization approach of obtaining zakat payments (2021). According to the findings of their study, literacy is one of the key elements in promoting public understanding of zakat payment. This indicates that a thorough understanding of the zakat obligation has a substantial impact on raising the amount of zakat funds collected. Some research, including that by (Mahomed, 2022), demonstrates the discrepancy between efforts to maximise zakat and send zakat to zakat management organisations as well as the behaviour of people who decide to pay upfront (2018). Their study's findings indicate that many people continue to give zakat immediately to mustahik near their

homes instead of through the Zakat Management Organization. Lack of trust and illiteracy are two things that are thought to affect how some people behave when choosing to give zakat directly to Mustahiq rather than the Zakat Management Organization. It takes several initiatives to persuade people to pay zakat through zakat management organizations. (Ashiq, 2020), among others, have all attempted to investigate the research of comprehending methods and efforts to optimise zakat contributions via Zakat Management Organizations (2021). These studies inspire Zakat Management Organizations to produce creative fundraising goods by embracing technical advancements through online zakat payment systems. They also motivate them to increase the competence of their human capital. To improve the level of the public's trust in zakat payment, zakat management organisations must be capable of demonstrating transparency in handling their funds. Research that demonstrates the value of zakat literacy in attempts to improve zakat collection optimization and the tactics that zakat management organisations must employ to improve zakat collection optimization remain in their infancy. Studies that look at initiatives to optimise zakat fund-collecting via zakat management organisations targeting the younger Muslim generations, such as Generation Z and millennials, are also scarce and hard to come by. As a result, this situation creates a gap that has to be filled and ought to be investigated. The issues raised in this study include certain elements that affect the millennial generation's intention to contribute zakat to zakat management organisations, including literacy, trust, and the simplicity of paying zakat, including via electronic payments. According to the researcher, millennials' zakat literacy is a crucial factor in improving the efficiency of zakat funds in zakat management organisations. One of the

key factors influencing whether the society, particularly the millennial generation, plans to contribute zakat to the Zakat Management Organization is indeed the society's level of trust in the organization. Generation Z and

millennials may be more inclined to send zakat to zakat management organisations if it is more convenient to do so, including via electronic payments.

LITERATURE REVIEW

Fundamentally, intention acts as a drive that motivates someone to carry out particular tasks. In the sense of zakat, the intention to contribute zakat could be viewed as the motivation behind someone's decision to do so. Once an individual is conscious that they must contribute zakat as a religious obligation, they precede to the next stage, which is having the intention of paying zakat to an official institution, in this situation, the Zakat Management Organization. You have the choice of paying zakat to Muslim organisations or working independently. If one looks at the background of zakat, zakat was paid during the time of the Apostles through a recognized amil zakat organization. Two elements, internal and external, are typically what motivate individuals to contribute zakat. Conceptually speaking, literacy may be defined as a person's knowledge, comprehension, and capability about something, which can then affect and affect a person's behaviour or decision concerning the subject at hand. When it comes to zakat, it is clear that zakat literacy refers to a person's knowledge, comprehension, and capacity for zakat collection to raise his awareness of his need to do so. The intention and capacity of an individual to obtain different zakat-related information are part of this notion of zakat literacy. According to (Humaidi, 2022), literacy and intention are tightly associated. In this instance, a person's poor intention to contribute zakat will be impacted by their reduced rate of zakat literacy. The absence of community understanding and awareness of the zakat payment process, which ought to be

optimized through formal zakat management organisations, is among the factors contributing to Pakistan's reduced rate of zakat literacy. Fundamentally, the amount and nature of zakat management are impacted by literacy levels, including both in terms of zakat money distribution and collection. The fact that people prefer to pay zakat direct to those they deem mustahiq demonstrates the low education of zakat in regards to generating funds. The fact that zakat is distributed directly and individually also demonstrates the low levels of literacy in zakat distribution. The extent of this literacy's impact on people's intentions to contribute zakat to zakat management agencies or organisations has been demonstrated in numerous types of research. According to the study results (Ashiq, 2020), zakat literacy is among the elements that influence people's intention to contribute zakat to zakat management organisations. The impulse to entrust a person with something is referred to as trust. The trust to contribute zakat in zakat management organisations is a crucial asset in the area of zakat contributions such that people are paying zakat to organisations rather than to people or unauthorized zakat amil. According to the findings of many studies, trust is among the elements that affect a person's decision to contribute zakat to the Zakat Management Organization, according to the findings of many studies. Trust influences a person's intention to give zakat to zakat management organisations, according to studies (Rehman, 2020). Among the key elements that could encourage muzaki to pay zakat is how simple it is to do

so. Alternatively, if society has problems producing direct payment to zakat amil, knowing the various methods for paying zakat will undoubtedly offer a remedy. Zakat contributions to zakat management organisations can generally be made through one of three methods: transfer payment lines; banking systems; shops; or digital communication (digital payments). Convenience is among the characteristics that affect a person's inclination to contribute zakat to the Zakat Management Organization, according to certain research findings. According to the findings of four separate studies, including those by (Oktavendi, 2022), people's intentions to compensate zakat to zakat management organisations are positively influenced by the easiness of paying zakat offered by these organisations, including the easiness of payment utilizing electronic technology and the internet. Organizations that are chosen or authorized by the government to administer state funds are known as zakat management organisations. The Zakat Councils and the Central Zakat Fund are the two major entities in Pakistan that are allowed to administer zakat. Following the Government of the Republic of Pakistan's ordinance, in 1982, the

government formed the zakat agency, whose responsibility is to collect and disburse zakat, infaq, and sadaqah revenues on a nationwide scale. The public may establish a Zakat Council at all stages to aid the CZF in its work. An organization called the Zakat Management Organization carries out the responsibility of gathering and distributing zakat funds for the welfare of the populace. Organizations must be able to perform their tasks and responsibilities while adhering to the principles of effective zakat administration, competence, and honesty. They must also be flexible enough to adjust to new circumstances, particularly as digital technology advances. The generation known as the millennials was born between 1981 and 1996, and if their present ages are used as a basis, they fall between the ages of 25 and 40. As part of the millennial generation, some individuals were born between 1997 and 2012, or Generation Z, who, based on their current age, are 8 to 24 years old. It is believed that these two generations represent a group that is beginning to reach working age and can receive the education required for paying zakat. According to certain surveys, Generation Z and Y can be successful generations in the charitable field.

RESEARCH METHOD

The sample for this study, which included 100 members of the millennial Muslim generation, was collected in Sindh in October 2022. Multi-Regression Analysis was the method of analysis employed in this study. This method was used to determine how much impact the independent variable has over the dependent variable. Cross-sectional

statistics were utilised in this research, and a questionnaire with a Likert-type scale of 1–5 was used to gather the data. Multi-linear regression is carried out using the SPSS Edition 25 tool.

RESULTS AND DISCUSSION

Characteristics of Respondents

Table 1. Validity Test Results

No	Description	Quantity
01	Gender:	

	- Male - Female	- 41 - 59
02	Age - 20-25 years - 26-30 years - 31-35 years - 36-40 years	- 62 - 20 - 14 - 4
03	Education - Bachelors - Higher Secondary - Secondary - Primary	- 44 - 34 - 21 - 1
04	Occupation - University Student - Employee - Civil Servant - Self Employee - Lecturer - Housewife - Teacher - Judge - Freelancer - Financial Planner	- 61 - 5 - 18 - 4 - 5 - 3 - 1 - 1 - 1 - 1
05	Income - Less than PKR 10000 - PKR 20000 – PKR 30000 - PKR 400000 – PKR 50000 - More than PKR 50000	- 17 - 33 - 30 - 20

These numbers show that there were 59 responses overall, with female respondents outnumbering male respondents. The age group of 20 to 25 years makes up the majority of responders in terms of age. This indicates that millennials, who represent the majority of responders, are still passionate about carrying out their zakat commitments. The data acquired indicated that the majority of the people participating in the activity who took part in the research as respondents had only completed high school, including 44

respondents, with 34 having completed undergraduate studies. Up to 61 percent of respondents' work was mostly done by university students. According to the level of income, incomes between 20000 thousand and 30000 million make up the majority. The attitudes of respondents toward tithing are significantly influenced by their income level. Respondents with high earnings are still more likely to contribute tithing as they have enough money to cover their daily expenses and have extra money left over that

they may set aside for timely zakat payments in the future. Respondents with modest outlays, on the other hand, are unable to contribute to tithing because their high incomes are undoubtedly insufficient to cover their basic requirements. Additionally, they have no extra money to set aside for paying zakat at a later date.

Analysis of Multiple Linear Regression Multiple regression analysis was Table 1.

used to determine the extent of the independent variable's impact on the dependent variable. Using SPSS 25.0, multiple regression analysis was conducted for this investigation. In table 1, the findings of a multi-regression study on the impact of zakat literacy, trust, and the simplicity of electronic payments on intentions to pay zakat are shown.

Table 2. Coefficients a

	Model	B	Unstandardized Coefficients Std Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	4.231	1.529		2.765	.006
	Zakat	-.055	.060	-.080	-.925	.356
	Literacy	.451	.112	.395	.395	.000
	Trust	.425	.077	.530	.530	.000
	Ease of Digital Payment					

Source: Using SPSS 25 to process the data (2022)

The multi-linear regression equations used in this investigation can be written as follows, utilizing Table 1: $Y = 4.231 + -0.055 X_1 + 0.451 X_2 + 0.425 X_3$. The following is a description of the multi-linear regression equation: 1) The constant value of 4.231 shows that the intention to contribute zakat will rise by 4.231 whenever the independent variables (degree of zakat literacy, trust, & convenience of electronic payments) are taken toward being worth 1 unit each; 2) The zakat literacy variable's (X1) correlation is -0.55. The intention to contribute zakat to zakat maal organizations would be reduced by 0.55 if the zakat literacy variable has grown by 1 unit, according to this interpretation. Therefore, it can be claimed that people's intention to contribute zakat to amil zakat groups decreases with increasing zakat literacy; 3) A value of 0.452 is generated for the trust variable's

coefficients (X2). The intention to contribute zakat to amil zakat groups will rise by 0.452 units if the trust variable has grown by one unit, according to this interpretation. Also, with the presumption that all variables are constant, it may be claimed that a people's intention to contribute zakat to amil zakat groups increases in direct proportion to their level of trust.; 4) A value of 0.426 is determined for the variable coefficient of online payment convenience (X3). This could be understood to mean that, for every unit rise in the variable convenience of electronic payments, there will be a 0.426 substantial rise in the desire to contribute zakat to amil zakat groups. Therefore, it may be claimed that providing other factors stay constant, the intention to contribute zakat to amil zakat groups will increase with the accessibility of electronic payments.

- *T-test (Partial Test)*

The t-test, also known as a partial test, tries to demonstrate how much variance in one independent variable may be partially explained by another independent variable. By contrasting the value of sig t with the significance level of 5%, the test is performed (0.05). 1) Examining how zakat literacy affects the inclination to donate to various zakat organisations. The significance level outcome for the zakat literacy variable (X1), which is dependent on table 1, is 0.357, which indicates that it is higher than 0.05. In other words, the variable of intention to contribute to maal zakat groups is partially unaffected by the variable of zakat literacy (Y); 2) Examining the impact of trust upon that intention to contribute zakat to charitable organisations. According to table 1, the confident variable (X2 significance)'s testing was 0.000, which indicates that it is less than

0.05. In other words, the intention to contribute zakat to amil zakat groups is somewhat influenced by the trust variable (Y); 3) Analysing the impact of online payment convenience on zakat intention to be contributed to amil zakat groups According to table 1, the convenience of digital payments variable (X3) scored 0.000, which indicates that it is less than 0.05, in the statistical significance. This indicates that the intention to contribute zakat to amil zakat organisations is influenced in part by the variable of the convenience of electronic payments (Y).

- *F Test (Simultaneous Test)*

To determine how much the independent variable can affect the dependent variable simultaneously and significantly, the F test, also known as the contemporaneous test, is performed. Table 2 displays the outcomes of the F test performed using SPSS version 26.0.

Table 3. ANOVA

	Model	Sum of squares	Df	Mean of Square	F	Sig.
1	Regression	877,446	3	292,481	61,864	000 ^b
	Residual	453,862	95	4,727		
	Total	1331,309	98			

Source: Using SPSS 25 to process the data (2022)

According to that analysis's findings, which are shown in table 2, the significance value, which has a Fount of 61.865, is 0.000. As a result, it can be concluded that the factors of zakat literacy, trust, and the convenience of electronic payments all influence individuals' intentions to donate to maal zakat organisations.

- *Coefficient of Determination Test (R2)*

The coefficient of determination test (R2) is used to determine how significantly the

independent variable contributes to the explanation of fluctuations or alterations in the dependent variable (R2).

The range from 0 to 1 represents the value for the coefficient of determination (R2). The independent variables of this study give nearly all the data necessary to predict the variance in the dependent variable if the coefficient of determination (R2) value is moving closer between one.

Table 3 displays the coefficient of determination (R2) findings for tithing decision-making variables of income threshold, religiosity, awareness of the brand,

trustworthiness, visibility, and transparency.

Table 3.

Table 4. Model Summary

Model	R	R square	Adjusted R square	Std error of the estimate
1	.812 ^a	.658	.647	2.17433

Source: Using SPSS 25 to process the data (2022)

The corrected R² value for table 3's coefficient of determination is 0.647. As a result, it can be deduced that perhaps the variables of zakat literacy, trust, and convenience of electronic payments account for 64.7% of the desire to contribute zakat to Muslim zakat organisations, with the remainder 35.2% being affected by additional variables not included in the present research.

Zakat literacy and willingness to contribute to maal zakat organisations

According to the study's findings, Zakat literacy has little bearing on young members of generation Z and millennials' intentions to donate to various zakat organisations. These results diverge from those of (Sahri, 2022), and other researchers. However, Pertiwi's study (2020) also came to the exact conclusions as this research, namely that people's beliefs to contribute zakat to the central zakat funds are unaffected by their level of zakat literacy. Zakat payment is a fundamental religious obligation that falls under the category of the foundations of faith. People can pay zakat to fulfill their religious responsibilities; however, they do so by paying mustahiq direct. Youth members of generation Z and millennials must not appear to be persuaded to pay zakat to authorize zakat management organisations by zakat literacy. Generation Z and millennials are still a prosperous society that is anticipated to contribute significantly to the growing zakat collection in Pakistan, but further efforts must be made to persuade them to pay zakat

to recognized zakat management organisations.

The impact of trust on the intention to contribute to zakat organizations

According to the study's findings, trust has an impact on young generation Z and millennials' intentions to contribute zakat to charitable organisations. The findings of this study are consistent with those of earlier investigations, such as those by (Rehman, 2018), which demonstrate that trust influences people's intentions to contribute zakat to organizations that administer the maal zakat. This demonstrates that young members of generation Z and millennials are concerned about the maal zakat organisation's reputation. Youth members of generation Z and millennials have to feel more confident in zakat administrators for them to be more inclined to contribute zakat to amil zakat organisations. Zakat administrators must show professionalism, honesty, and application of strong governance norms.

One tactic available to zakat amil is transparency disclosure or the publicly accessible transmission of zakat funds via internet media. A generation of individuals known as Generation Z and millennials are continuously connected to technological media and may readily gather information from many electronic databases. It is envisaged that educating people about the work that amil zakat organizations do will boost their trust in them and their ability to collect zakat.

The impact of the digital transaction convenience on individuals' intentions to contribute to charitable zakat organizations

The study's findings indicate that young people from generation Z and millennials' comfort with electronic payments influence their propensity to contribute zakat to charitable organizations. This study's conclusions concur with those of (Khalis, 2020). The study's conclusions support the idea that making zakat contributions to Maal zakat groups easier to reach will increase the intention of young generation Z and millennials to do so. Amil Zakat can set up

several payment methods, including transfers made through digital banking in partnership with banks as well as cash payments. Young members of generation Z and millennials could pay zakat more easily by using payment technology like QRIS, which accepts payments through electronic payments and e-wallets. Millennials and Generation Z are two generations that have grown up with smartphones and other forms of electronic technologies. Maal zakat groups should act swiftly in response to modifications in payment options because modern society has seen changes in tendencies, primarily as a result of technological changes.

CONCLUSION

Zakat collection in Pakistan has a considerable amount of potential, but it hasn't yet proven able to materialize as a powerful force. The possibilities for managing zakat in Pakistan should benefit greatly from the country's sizable Muslim population. Data show that in 2022, above 6 billion PKR worth of the estimated 3 trillion PKR worth of zakat was realized. This situation presents a challenge for Pakistan zakat administration since, if zakat funds could be collected as much as possible, the broader population will undoubtedly profit from zakat fund management. There remain groups of individuals who choose to contribute their zakat personally and redistribute it immediately, according to several studies. Activists for zakat and academics have some serious work to do in this situation.

The general public's minimal amount of intention to contribute zakat to official zakat management institutions is influenced by several internal and external variables. Internally, factors including literacy, trust, and the convenience of paying zakat, even through electronic payments, contribute to the public's reduced rate of intention to send

zakat to official zakat management organizations. External factors such as openness, transparency, as well as other excellent zakat governance norms have a significant impact on how the general public perceives the state of zakat management organizations.

The results of this study indicate that partially the zakat literacy variable does not influence the variable of intention in paying zakat to amil zakat organizations. The variables of trust and the ease of paying zakat, including through digital payments, partially influence the intention in paying zakat to amil zakat organizations. Simultaneously, the variables of zakat literacy, trust, and ease of digital payments have a simultaneous effect on intention in paying zakat to zakat amil organizations. The overall intention in paying zakat to zakat amil organizations can be explained by the variables of zakat literacy, trust, and ease of digital payments by 64.8%, while the remaining 35.2% is influenced by other variables outside the variables used in this research model.

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