

# The Influence of Income Level, Educational Background, and *Zakat* Literacy on *Zakat* Payer Compliance for Paying *Zakat* Case Study at National *Zakat* Agency of Yogyakarta Indonesia

Sutrisno<sup>1</sup>, Ihdiana<sup>1</sup>

<sup>1</sup>Department of Shariah Economics, Faculty of Islamic Studies, Universitas Muhammadiyah Yogyakarta, Yogyakarta, Indonesia

**Abstract.** This study aims to examine and prove the influence of income levels, *zakat* literacy, and educational background on compliance with *Zakat* payments at the National *Zakat* Agency of Yogyakarta (BAZNAS DIY). This study uses a quantitative employing inferential statistical analysis (correlation). The collected data was processed with inferential Statistical analysis (correlation), the analyzed data obtained with Structural Equation Modeling (SEM) and Partial Least Square (PLS) through the SMART-PLS version 4.0 software. Data was collected through questionnaires with predetermined respondent criteria. The number of samples successfully obtained and processed was 250 respondents. The findings reveal that income level, *zakat* literacy, and educational background all have a significant and positive effect on muzakki compliance in paying *zakat* through BAZNAS DIY. Therefore, BAZNAS DIY and related institutions can enhance education programs and *zakat* literacy campaigns to increase public awareness and understanding of *Zakat*'s importance and paying *zakat*. Furthermore, BAZNAS DIY can consider more effective strategies to target high-income groups and increase the number of *muzakki*. Additionally, good education can increase awareness and compliance with *zakat* obligations. Thus, *zakat* institutions should collaborate with educational institutions to include *zakat* material in the education curriculum.

## 1 Introduction

The duty related to *Zakat* is emphasized 82 times in the Holy Qur'an, and each instance is coupled with the command to pray. This underscores the significant position of *Zakat* in Islam, where prayer nurtures a relationship with Allah, and *Zakat* fosters relationships among people [1]. To optimize *zakat* management, the government established Law No. 23 of 2011, which regulates *zakat*, *infaq*, and *shadaqah*, as well as the *Zakat* Management Organization (OPZ) authorized to operate in the country.

In Indonesia, these organizations include the National *Zakat* Amil Institution under community coordination (LAZNAS) and the government-owned National *Zakat* Amil Agency (BAZNAS). The law outlines *zakat* agency practices, from planning and

classification to implementation and monitoring of fundraising and distribution. The objectives of this governance are twofold namely increasing the usefulness and effectiveness of *zakat* institution services and to utilize *zakat* as a tool for poverty alleviation and improving community welfare.

Given Indonesia's majority Muslim population, the potential for *zakat* collection is substantial, offering a significant opportunity for *amil zakat* organizations compared to countries with Muslim minorities. The potential *zakat* amount in Indonesia has increased markedly over the years, reaching IDR 217 trillion in 2018 [2]. In Yogyakarta, as of June 2021, Muslims accounted for 92.87% of the population, or approximately 3.41 million people [3]. The source of the *zakat* collection in Yogyakarta is estimated at IDR 22 trillion as of March 28, 2023, including trade, income, agriculture, and *zakat fitrah* [4].

Income level, defined as the standard of living one can afford based on salary or other income sources [5], affects *zakat* compliance. Research by [6] in Bireuen Regency found that income levels significantly impact *muzakki* compliance in paying *zakat*, [7] also found that higher income levels increase *Muzakki's* willingness to pay *zakat*.

*Zakat* literacy refers to the extent of *muzakki's* knowledge and application of *zakat*. *Zakat* literacy is essential in *zakat* management, significantly impacting individuals' decisions to pay *zakat* to official institutions [8]. It involves and compasses the ability to read, understand, access, and calculate *zakat*-related information, enhancing knowledge and behavior toward *zakat* payment [9-10]. An Islamic educational background can foster compliance, as it is assumed to impart knowledge of *zakat* laws and instill a fear of neglecting this obligation. As individuals with higher Islamic education levels are more inclined to complete their *zakat* payments, collaboration through educational institutions to include *zakat* education in curriculums is essential [11]. Studies confirm that higher educational backgrounds correlate with greater *zakat* awareness and compliance [12]; [13].

Compliance, defined as the adherence to paying property *zakat* to *amil zakat* institutions [14], involves fulfilling this obligation according to Islamic law. Factors influencing compliance include income level, *zakat* literacy, and educational background. Previous studies show inconsistent results, necessitating further research to identify contributing factors. This research aims to investigate the impact of income levels, *zakat* literacy, and educational background on the compliance of *muzakki* in making *zakat* payments through the BAZNAS of Yogyakarta Special Region.

## 2 Literature review

The practice of *zakat* is an obligation in Islam and essential in promoting social welfare and economic equality. Compliance with *zakat* payment is influenced by various factors, including income level, educational background, and *zakat* literacy. This literature review explores these factors in the context of BAZNAS Yogyakarta, Indonesia, aiming to understand their impact on *muzakki* (*zakat* payers) compliance. Income level is a significant determinant of *zakat* compliance. Higher income typically correlates with higher *zakat* contributions, as *Zakat* is a percentage of wealth. Studies have shown that income positively impacts the willingness and ability to pay *Zakat*. Saad et al. found that higher-income individuals will have a better half in paying *zakat*. Sawmar [15] highlighted that income stability and financial capability directly influence *zakat* payment compliance

Kaoula, [16] found that religiosity, income level and literacy collectively have a significant positive influence on *zakat* payment awareness, by a significance level of less than 5%. While religiosity greatly influences *zakat* awareness, the t-test results provide only partial support for this. Literacy and income levels significantly and positively affect *zakat* awareness.

[17] discovered that the overall intention to pay *zakat* is very high, indicating that

intention can strongly influence *muzakki*'s actions to fulfill their *Zakat* obligations. The three main factors that most significantly influence the intention to complete *Zakat* are literacy, motivation, also compliance. Moreover, another four factors are the rules for paying *zakat*, membership in a *zakat* institution, public trust, and relevant payment methods can have a lesser impact on the decision for paying *zakat*, suggesting these factors influence intention at a high level but are lower in priority compared to other factors.

[18] identified that compliance in paying *Zakat* is positively and significantly influenced by knowledge, while tax credit does not mediate the relationship between knowledge and compliance. [19] noted that public trust in BAZNAS Palembang City and community income levels increase annually, and *muzakki* interest in channeling *Zakat* through BAZNAS Palembang City also grows each year. In Palembang City, Muslim's interest in channeling *zakat* through National Zakat Board is positively influenced by income and religiosity levels.

Beik,[20] found that income level does not affect *muzakki* interest in issuing *zakat*, whereas education and religiosity levels significantly influence the interest in issuing *zakat* at the Solo *zakat* institution. Further, concluded that income level and trust have a dominant impact on *muzakki* occupy to pay *Zakat* through BAZNAS, while *zakat* literacy does not affect this interest.

[21] confirmed that *zakat* literacy positively and significantly affects the amount of *zakat* revenue in recipient organizations. However, *zakat* literacy does not affect *muzakki* intention for paying *Zakat*, and the intention does not influence *zakat* collection realization or moderate the relationship between *zakat* literacy and *zakat* collection realization. [22] identified that religiosity and gender influence the decision to pay *Zakat*, with education level having little effect.

[23] confirmed that each independent variable could partially affect *muzakki* decisions to pay *Zakat*. Income level, *zakat* literacy, and altruism simultaneously significantly impact *muzakki* decisions to pay professional *Zakat* in *Zakat* organizations. Additionally, the transparency variable moderates all independent variables. identified that *Zakat* literacy and religiosity affect compliance with agricultural *Zakat*. Their third hypothesis indicates that religiosity and *zakat* literacy together have a high impact to the *muzakki* awareness to pay *zakat* of agricultural. Other factors assumed to affect compliance in paying agricultural *Zakat* include income, socialization, and education.

### 3 Research methodology

The research employed quantitative methods to test hypotheses regarding income levels, educational background, and *zakat* literacy of *zakat* payer compliance in paying *zakat* through the National Zakat Agency of Yogyakarta. Result of the assessment, the instrument used 4 Likert scales with the criteria as explained: (1-Strongly Disagree), (2-Disagree), (3-Agree), and (4- Strongly Agree).

This research population comprised of *zakat* payer who paid *zakat* at the BAZNAS of the Special Region of Yogyakarta. This population was chosen based on information from BAZNAS media regarding the studied phenomenon. The sample, a small representative portion of the population, was selected using Probability Sampling or Random Sampling techniques. Random sampling methods included the lottery method, ordinal method, and randomization method. Questionnaires and surveys are used to gather data, which is then analyzed using SmartPLS 4.0.

The research hypotheses are stated as follows:

1. H1: Income levels a beneficial and large impact on *muzakki* compliance while paying *Zakat* at the National *Zakat* Agency of Yogyakarta.
2. H2: *Zakat* literacy improves *muzakki* compliance in paying *zakat* through BAZNASDIY.
3. H3: Educational has a beneficial and large impact on *muzakki* compliance while paying

*Zakat* through National *Zakat* Agency of Yogyakarta.

## 4 Results and discussion

The Measurement Model (Outer Model) is used to evaluate the validity and reliability of research instruments. Validity is tested using two methods: Convergent Validity and Discriminant. In contrast, Cronbach’s Alpha and Composite Reliability scores are used to assess validity.

### 4.1 Validity test

- 1) The measurement model’s convergent validity is determined by the correlation between the scores of individual indicator items and the total score of the variable being measured. In this study, there are 4 (four) variables using 42 indicator items, namely 5 indicators of income level, 24 indicators for *zakat* literacy, 6 indicators for educational background, and 7 indicators of compliance. If the total Average Variance Extracted (AVE) value is more than 0.5, it can be categorized as convergently valid.
- 2) Discriminant Validity, or the cross-loading value of this factor, may be used to compare the loading value of each indicator, which should be greater for its target build than for any construct. This ensures that the construct has sufficient discriminant validity, meaning it is distinct from other construct. The value of each construct must be more than 0.7. Each construct has a cross-loading value that exceeds 0.7. This demonstrated that the manifest variables in this study have established the validity of each item and accurately explain the latent variables.

### 4.2 Reliability test

**Table 1.** Shows cronbach's alpha value and composite reliability

Construct	Cronbach's alpha	Composite reliability
Income Level (X1)	0.822	0.876
<i>Zakat</i> Literacy (X2)	0.938	0.947
Educational Background (X3)	0.863	0.851
Compliance (Y)	0.899	0.925

Source: Primary data analysed (2024).

Based on Table 1 shows the Cronbach's alpha and composite reliability values for each construct are more than 0.7 (>0.7). Therefore, the constructs in this study can be considered both valid and reliable, allowing the structural model test to proceed.

**Table 2.** Model fit test results

Item	Saturated model	Estimated model
SRMR	0.089	0.089
d_ ULS	2.355	2.355
d_ G	1.17	1.17
Chi-square	591.764	591.764
NFI	0.681	0.681

Source: Primary data analysed (2024).

From Table 2, the SRMR value is 0.089, indicating that the model is considered adequate and meets the criteria for model fit. Additionally, the NFI value is 0.681, which is close to 1, meaning that the model has a relatively good fit.

This study employs Structural Model Evaluation, often known as the inner model, to assess the relationship between variables using the underlying theoretical framework. The main objective of this process is to categorize data according to variables and respondent types, organize it into tables, present the data for each variable, and ultimately test the research hypotheses.

**Table 3.** Model fit test results

Construct	R-Square (R <sup>2</sup> )	R-Square adjusted
Compliance	0.53	0.516

Source: Primary data analysed (2024).

Based on Table 3 shows the model's explanatory capability can be described as moderate, as evidenced by the R-Square value of 0.53 shown in Table 3. This means that the three exogenous variables (income level, *zakat* literacy, and educational background) are able to influence the endogenous variable (compliance) by 53%. Factors not examined in this research account for the other 47% of the variation in *Zakat* payment compliance.

### 4.3 Hypothesis testing

Hypothesis testing is conducted to assess the impact of each exogenous variable on the endogenous variables. This process helps determine whether hypotheses one, two, and three have a substantial beneficial influence or not. Using the bootstrapping method, a significant effect is observed when the t-statistic value surpasses 1.96. Moreover, P-value that must be achieved is > 0.05 to see the significance level of a result. Then, by looking at the original sample (O) value, we can identify whether the effect is positive or negative.

**Table 4.** Path coefficients

Construct	Original sample (O)	T statistics ((O/STDEV))	P values
Income Level (X1) -> Compliance (Y)	0.363	3.787	0.000
<i>Zakat</i> Literacy (X2) -> Compliance (Y)	0.255	2.586	0.005
Educational Background (X3) -> Compliance (Y)	0.329	3.549	0.000

Source: Primary data analysed (2024).

#### 4.3.1 Income levels affect muzakki's compliance with zakat duties

From Table 4, the exogenous variable of income level is shown to have a significant impact on *muzakki* compliance, with an original sample (O) value of 0.363. The t-statistic is 3.787, which exceeds the crucial value of 1.96 at a 5% significance level, and the p-value is 0.002, well below the threshold of 0.05. Based on these findings, we can infer that income level has a favourable and significant relationship on *muzakki* compliance in paying *Zakat* to BAZNAS DIY. These findings are comparable with prior study in Bireuen Regency, which found that income level significantly affects *muzakki* compliance in paying *Zakat*. Similarly, observed that *muzakki*'s motivation in paying *Zakat* is influenced by income level. In essence, higher income levels tend to increase *muzakki*'s willingness to comply with *Zakat* payment. This is further supported by [24], who found that compliance with paying *Zakat* through official

institutions, such as LAZNAS andBAZNAS, is influenced by the income level of *muzakki*.

#### 4.3.2 *The impact of Zakat literacy on muzakki compliance in fulfilling their Zakat payments*

The exogenous variable of *zakat* literacy is shown to significantly influence *muzakki* compliance, with a t-statistic of 2.586 (higher than the crucial threshold of 1.96), a p- value of 0.005 (less than 0.05), and an original sample (O) value of 0.255. These result confirm that *zakat* knowledge has a favourable influence on *muzakki* compliance to pay *zakat* at National *Zakat* Agency of Yogyakarta. The findings is supported with previous study study which demonstrated that *zakat* literacy significantly and positively affects compliance with agricultural *zakat*. Additionally [25], found that *zakat* literacy plays a crucial role in increasing the willingness of *zakat* payer to pay *zakat*, further supporting the positive relationship between *zakat* literacy and compliance.

#### 4.3.3 *The influence of educational background on muzakki compliance in making Zakat payments*

The construct of educational background shows a significant influence on *muzakki* compliance, with a t-statistic of 3.549 (higher than the threshold of 1.96), a p-value of 0.000 (less than 0.05), and an original sample (O) value of 0.329. These findings confirm that educational background has a good and significant influence on *muzakki* compliance in paying *Zakat* through BAZNAS DIY. This finding is consistent with research by [26], which demonstrated positively that educational background influences the interest of *muzakki* in paying *Zakat*. Additionally [27], also found that a strengthened educational background positively and significantly impact the payment of professional *zakat*, further supporting this study's conclusion.

## 5 Conclusion

Income level has a favourable and substantial impact on *zakat* payer compliance to pay *Zakat* to the National *Zakat* Board of Yogyakarta Special Region (BAZNAS DIY). This indicates that the *zakat* payer is more likely to decide to pay *Zakat* through BAZNAS DIY when their income level is high. Therefore, income level is one of the important factors that need to be considered by *zakat* institutions, as paying *Zakat* is directly related to income.

*Zakat* literacy has a favourable and considerable impact on *zakat* payer compliance with payment at (BAZNAS DIY). A higher knowledge of *zakat* literacy increases the likelihood of compliance, indicating that *zakat* payer with more knowledge about *zakat* are more inclined to make *Zakat* payment. However, the community's general low level of *Zakat* literacy is a barrier to greater public participation in *zakat* payment.

Educational background similarly shows a good and considerable impact on *zakat* payer compliance at (BAZNAS DIY). The better of the educational background of *zakat* payer (*muzakki*), the more likely they are to comply with *zakat* payment through official like BAZNAS DIY.

These finding highlight that income level, *zakat* literacy, and educational background are all significant factors in *muzakki* compliance with *zakat* obligations. Moreover, provide vital insights for *zakat* managements and policymakers in developing strategies to increase *zakat* collection and improving compliance rates.

## References

1. Anshori, A. Study of Zakat Verses as an Islamic Economic Instrument in Tafsir Al Misbah. *Misykat Al-Anwar: Journal of Islamic Studies and Society*, **1**(1), 55-68 (2018).
2. Baznas, *Zakat Outlook* (2019)
3. Kusnandar, V. B. 92.87% of Yogyakarta's Population is Muslim in June (2021). <https://databoks.katadata.co.id/datapublish/2021/09/17/sebanyak-9287-population-yogyakarta-religious-islam-by-june-2021>.
4. Handoko, T. DIY's Zakat Potential is 2.2 Trillion, But Only This Much Has Been Realized. Hatmawan, S. R. and A. A. (2020). *Quantitative Research* (2023).
5. Sawmar and M. O. Mohammed, Enhancing zakat compliance through good governance: a conceptual framework, *ISRA Int. J. Islam. Financ.*, vol. **13**, no. 1, pp. 136–154 (2021).
6. Murhaban, M., & Merawati, M. The Effect of Income Level and Management of Zakat Funds on Community Compliance to Pay Zakat in Bireuen Regency. *Journal of Accounting and Finance*, **6**(1), 25 (2018). <https://doi.org/10.29103/jak.v6i1.1822>.
7. Beik, L. D. Arsyianti, and N. Permatasari, Analysis on the determinant of millennials' zakat payment through digital platform in Indonesia: a multinomial logistic approach, *J. Islam. Mark.*, vol. **15**, no. 2, pp. 541–572 (2024).
8. I. Kateb and K. Ftouhi, Ethical governance and the board's moderating role in Zakat avoidance effects on firm value in muslim nations, *J. Financ. Regul. Compliance*, vol. **32**, no. 1, pp. 98–117 (2024).
9. Mahbubatan Nafiah, Ahmad Supriyadi, & Elok Fitriani Rafikasari. The Effect of Zakat Literacy on Muzakki's Interest in Paying Zakat at Baznas Tulungagung with the Level of Awareness and Religiosity as Intervening Variables. *Juremi: Journal of Economic Research*, **3**(1), 1-12 (2023). <https://doi.org/10.53625/juremi.v3i1.5782>
10. Hikmah, N., Anwar, N., & Katman, M. N. The Effect of Zakat Literacy and Religiosity on Compliance to Pay Agricultural Zakat: El-Mal: *Journal of Islamic Economics & Business Studies*, **5**(1), 1-21 (2023). <https://doi.org/10.47467/elmal.v5i1.3874>
11. I. Rahmatullah, P. Suwadi, and H. Purwadi, Legal Reform of Zakat Management Based on Personal Data Protection Law in Indonesia, *Maz. J. Pemikir. Huk. Islam*, vol. **23**, no. 1, pp. 199–236 (2024).
12. Al-Haddad, and Rahman, Zakat and Socio-Economic Impact: The Role of Local Government and Zakat Institutions, *Institutions Econ.*, vol. **16**, no. 3, pp. 27–50 (2024).
13. Razak and Darwis, Strengthening Zakah Compliance Among Indonesian Muslims Through the Role of Institutional Capabilities, *J. Islam. Monet. Econ. Financ.*, vol. **10**, no. 3, pp. 497–520 (2024).
14. Rahman, and Hamdan, Bridging the gap between the tradition of the Prophet in zakat payment and the current practice, through modern measurement, *J. Islam. Account. Bus. Res* (2024).
15. Arifin, and Muda, Faktor penentu pembayaran zakat masyarakat Islam di Negeri Terengganu, *Glob. J. Al-Thaqafah*, no. **I**, pp. 212–227 (2024).
16. Rosman, and Khamis, The role of zakat distribution on the sustainability of gharimin (genuine debtors) in Islamic financial institutions in Malaysia, *J. Islam. Account. Bus. Res.*, vol. **15**, no. 6, pp. 988–1008, (2024).
17. Roziq, and Shulthoni, Formulating, Measuring, and Comparing Financial Performance Between National Amil Zakat Agency (BAZNAS) and Amil Zakat Institution (LAZ) in Indonesia, *Qual. - Access to Success*, vol. **25**, no. 199, pp. 205–211 (2024).
18. Ghazali, R., & Ibrahim, P. Intention Determinant Factors of Muzakki to Pay Zakat During COVID 19 Pandemic 2020 In Wilayah Persekutuan. **3**(1), 85- 102 (2022).
19. Irham Pakawaru. The Effect of Muzakki's Knowledge on Compliance with Paying

- Zakat and Zakat as a Tax Deduction is a Moderating Variable in the Covid 19 Era. *Tadayun: Journal of Sharia Economic Law*, **2**(2), 153-169 (2022). <https://doi.org/10.24239/tadayun.v2i2.27>
20. Pria Diansyah, Mei Risita, Sefti Rehayani, Samsul Bahri, & Maya Panomara. The Effect of Income Level, and Trust on Interest in Paying Zakat at the National Amil Zakat Agency of Palembang City. *Journal of Comprehensive Science*, **1**(5), 1188- 1194 (2022).
  21. Pertiwi, I. S. M. The Effect of Income Level, Zakat Literacy and Trust on Public Interest in Paying Zakat at Baznas Lampung Province. *Journal Science Management And Accounting*, **8**(1), 1-9 (2020). <https://jurnal.unitri.ac.id/index.php/refrensi/index>
  22. Clarashinta Canggih & Rachma Indrarini. Does Literacy Affect Zakat Revenue? **XI**(1), 1-11 (2021).
  23. Handayani, D. F., Betavia, A. E., & Pebriyani, D. Do Religiosity, Gender, and Education Level Affect Zakat Payment? *Journal of Accounting, University of Jember*, **20**(1), 33 (2022). <https://doi.org/10.19184/jauj.v20i1.30994>
  24. Fatah, S. A. O. & D. A. Analysis of the Effect of Zakat Literacy, Income and Altruism on Muzakki's Decision to Pay Professional Zakat through Zakat Institutions with Transparency as a Moderating Variable (Study on Muzakki Dki Jakarta). **9**(2) (2022).
  25. Devi Nur Hamidah. The Influence of Income, Zakat Knowledge and Service Quality on Muzakki's Decision to Pay Zakat at Amil Zakat Institution (Study of Malang City Community. *Jimfeb.Ub*, 2507 (February), 1-9 (2020).
  26. Fahmi, Z., & M.Nur, M. The Effect of Knowledge, Income, and Trust, on Muzakki's Interest in Paying Zakat at Baitul Mal Lhokseumawe City. *Unimal Journal of Regional Economics*, **1**(3), 89 (2018). <https://doi.org/10.29103/jeru.v1i3.592>
  27. R. Irmadariyani, A. Roziq, and M. Shulthoni, Formulating, Measuring, and Comparing Financial Performance Between National Amil Zakat Agency (BAZNAS) and Amil Zakat Institution (LAZ) in Indonesia, *Qual. - Access to Success*, vol. **25**, no. 199, pp. 205–211 (2024).