

Nisab of Zakat and Zakat Contribution: A Conceptual Model

Azhan Rashid Senawi¹, *Heizal Hezry Omar¹, Amirul Afif Muhamat¹, Shariff Harun¹, Husna Husain²,
Tika Widiastuti³, Nazri Chik⁴

¹Faculty of Business and Management, Universiti Teknologi MARA, Cawangan Selangor,
Kampus Puncak Alam, Malaysia

²Fakulty of Human Sciences, Universiti Pendidikan Sultan Idris, Tanjong Malim, Perak, Malaysia

³Faculty of Economics & Business, Universiti Airlangga, Jl. Airlangga Surabaya, Indonesia

⁴Group Chief Financial Inclusion Officer at Bank Islam Malaysia Berhad, Malaysia

azhanrashid@uitm.edu.my, heizal@uitm.edu.my*, amirulafif@uitm.edu.my, shariffharun@uitm.edu.my,
husnahusain@fsk.upsi.edu.my, tika.widiastuti@feb.unair.ac.id, mohdnazric@bankislam.com.my

Abstract: Zakat distribution has a positive correlation with its collection. Thus, a higher collection of zakat will positively impact the distribution amount and reach a bigger pool of zakat recipients. However, some external constraints in its collection could likely have an adverse impact on its collection, especially the effect of the macroeconomic factors. It becomes crucial when the increase in the price of gold (one of the primary commodities used as a nisab benchmark for zakat in Islam) is claimed to negatively influence the collection and allocation of zakat to the respective recipients. Therefore, this study aims to investigate whether the high and low value of nisab due to the fluctuating price of gold in the world market could negatively influence the zakat collection and indirectly affect all the recipients, especially the poor and needy. In achieving this aim, this study will utilize a structured self-administered questionnaire to study the awareness of Muslims on the nisab of zakat and its influence on their zakat payments. It is still relatively rare to find any research on the awareness of the nisab of zakat and its relation to the zakat contribution. One past econometric study concluded that a higher nisab leads to a lower zakat collection. The findings of this proposed study could complement that previous study and hence be justifiable due to its significant impact on the recipients of zakat (*asnaf*) as the main stakeholders.

Keywords: *Zakat, Nisab of Zakat, Zakat Recipients, Zakat Payment, Asnaf*

1. Introduction and Background

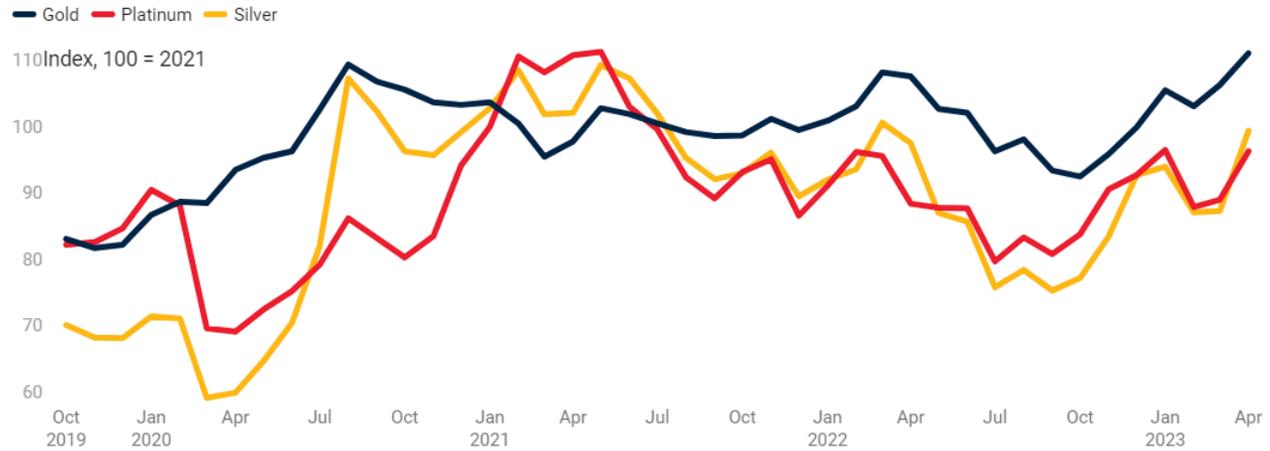
The value of the yearly nisab for zakat is highly dependent upon the market price of silver and gold, mainly based on its supply and demand in the global market. The rise and fall in the value of both commodities will significantly impact the amount of nisab in that particular year. This proposition is supported by the reduction in the price of silver, as recorded by the London Bullion Market Association and the Bureau of Labor Statistics (2016). Therefore, for countries that use silver as their determination of nisab for zakat, there should be an increase in the amount of zakat collection and distribution to the low-income category of *asnaf*. However, this condition harms the lower income group by making them into the category of the zakat payers instead of zakat recipients. As a result of this probable situation, will contrast the objectives of shariah (*maqasid shariah*) behind the legislation of zakat as outlined in both the Quran and Sunnah (Kahf, 1989; Mat Isa, 2013).

For example, low-income earners' monthly and yearly incomes were estimated to be between RM700 to RM900 or RM 8,400 to RM 10,800, respectively (JPA Malaysia, 2011). If we use silver as Malaysia's nisab benchmark, the current nisab amount will be RM1826.65 (Lembaga Zakat Selangor, 2016). Therefore, it is now possible to reclassify them as part of the zakat payer group, even though they should have been rightfully put under the 'poor and needy group'. Hence, the issue of fairness and justice should be considered, where zakat should become a mechanism of welfare in the development of the Islamic nation and not the other way round (Al Qaradhawi, 1999; Mat Isa, 2013).

The statistical data released by the World Bank (Figure 1) showed an unstable performance of gold and silver (Paolo & Muneeb, 2023). It shows gold has decreased in value from around January 2022 until the end of 2022 and has increased its value in early 2023. This unstable situation led to doubts about its dependability and reliability, even though gold was known as the most stable item compared to other commodities (Meera, 2002; Yaacob, 2009; Yousef & Shehadeh, 2020). According to Browne, Abbriano and Lockwood (2015) and

Lin & Xu (2019), as long as the items are classified as commodity items, they can't avoid being involved in rigorous market activity. This shows that any kind of activity that might contributed to the downfall of the price of silver or commodities will also probably happen to the price and value of gold.

Figure 1: World Gold Market Price (2019-2023)



Source: World Bank

International Muslims Organizations such as the Majlis Tahqīq Masāil Ḥādirah Muslim, which is a Muslim Council of Pakistan, have decreed that the rise and fall of gold price will have a significant impact on the nisab benchmark and the zakat collection. The council also emphasized that the discrete increase in the price of gold would contribute towards a lower payment of zakat. This disparity will result in creating a begging culture, which is forbidden in Islam (Mahmud & Shah Haneef, 2008; Sadeq, 2004; Senawi, 2018; Senawi & Mat Isa, 2016). This corresponds with the claim that the value of nisab will substantially impact the zakat collection.

In addition, Khaf (1989) and Sadeq (2004) analyzed macroeconomic factors' direct and indirect influence on the zakat collection. It was concluded that the country's GDP growth had stimulated individual earnings and hence indirectly provided a broad capacity for individuals towards their obligations in the payment of *zakat*. Hence, a considerable amount of higher earnings tends to lead to a higher *zakat* collection (Al-Jarhi & Zarqa, 2007; Mohammed Yusoff, 2006; Mankiw, 2004).

As expected, the price of gold and its nisab value controversy will eventually result in the exploitation of the poor recipient and the reduction in the *zakat* collection. Therefore, studying Muslim awareness concerning this issue is essential to justify and complement the past econometrical work, which justified that the nisab of zakat has a role in influencing the zakat collection. Therefore, this study has been conducted to justify the awareness among Muslims regarding their zakat contribution due to the changes in the nisab amount. The remaining segment of this study is followed by the literature review, where the conceptual framework will be customized to facilitate understanding of this study and, finally, the conclusion.

2. Literature Review

Nisab of Zakat: Fulfilment of the nisab is considered one of the main prerequisites for the obligatory payment of zakat on wealth and property in Islam. Complete property ownership is another example of the main requirement for zakat payment. As stated by one great Muslim classical scholar, Ibn Nujaim (n.d.), the absoluteness of ownership is exclusivity to the owner. No one has any share in it (except Allah Taala as the ultimate owner and creator of everything); only the owner has the authority to transact or do whatever he or she deems fit with it. Hence, if the right of ownership is incomplete, such as the undelivered goods and merchandise, then zakat is not compulsory. For that reason, absolute ownership gives the owner the right to benefit from the property.

Furthermore, human beings in general and Muslims in particular as servants of Allah should acknowledge the grace of Allah, and the payment of zakat is a minimum expression of gratefulness for the countless blessings and grace from the almighty (Al Qaradhawi, 1999). The past research hypothesized that if the gold price increases, the nisab value would also rise accordingly. Therefore, it leads to the deterioration of the zakat collection and creates a begging culture in the community. On the other hand, if the gold price reduces, the nisab of zakat will also be decreased (Omar, 2020; Senawi et al., 2021; Senawi, 2018). As a result, it may lead to more enormous zakat collections; however, a low nisab amount has an adverse impact in terms of including the poor and needy in the group of zakat contributors instead of remaining as its recipients (Kahf, 1999; Sadeq, 2004).

Furthermore, another empirical research indicates that the more considerable nisab value lessens the zakat collection (Senawi & Mat Isa, 2016). Hence, Muslims must have at least some simple idea about general zakat and nisab. By comparing people with less knowledge of nisab, those with a better level of understanding have a greater awareness of the payment of zakat. Furthermore, Zulkifli & Sanep (2010) pointed out that a good comprehension of zakat significantly affects the obligation of zakat payment.

Awareness of Nisab of Zakat: In most cases, awareness of the nisab of zakat is considered the main factor contributing to zakat payment because human behavior factors are related and can impact human social behavior (Michell & Al-Mossawi, 2015). Religiosity differs from spirituality. Spirituality seeks to connect with what is considered a remarkable immaterial reality, and religiosity is the observance of the external form of specific religious traditions (Shukor & Jamal, 2013). On the other hand, Ismail and Abidin (2020) concluded that religiosity level and religious knowledge were the two most crucial factors in the awareness of zakat on income among professionals. Ajzen, I., & Fishbein (1980) reported that a person's attitude towards his behavior depends on his beliefs. This is in line with the findings of Sapongi et al. (2011), who reported that only attitude and behavior control have an essential relationship with the intention to pay zakat. Al Jaffri Saad and Haniffa (2014) emphasized that intention is the essence of obedience to zakat. Thus, according to behavioral intentions, subjective norms and attitudes will affect the intention to pay zakat (Ajzen & Fishbein, 1980).

Similarly, Nur Barizah and Hafiz Majdi (2010) also found that religion determines the zakat payment on income and shows a positive correlation. Likewise, Idris et al. (2012) discovered that the evaluation of components of religious belief has a broad spectrum. The study has also found that highly religious business owners are more likely to abide by zakat's payment, and religious beliefs play an essential role in obedience to zakat.

3. Income Group of Classification

The World Bank classified Malaysia as an "Upper-Middle-Income" country. This classification is based on the country's GNP per capita (The World Bank, 2023). They are categorized into distinct population categories based on family income levels (Department Of Statistics Malaysia, 2022).

B40 (40 %): The B40 category comprises the bottom 40% of income-earning households. These are often lower-income households that may experience financial difficulties in satisfying their fundamental necessities. This group is frequently targeted by government assistance and social welfare programs to reduce poverty and enhance their living conditions. In Malaysia, the B40 group, representing the bottom 40% of families in terms of income, is frequently subdivided into other subgroups.

- a. Lower B40: This subset represents the B40 category's lowest-income households. They often have the fewest financial means and may be more vulnerable to poverty.
- b. Middle B40: This subgroup contains households with slightly greater earnings than the Lower B40 but within the B40 income range. They may have slightly better financial stability but still face financial difficulties.
- c. Upper B40: This category includes households with earnings close to the B40-M40 income threshold. They have greater salaries within the B40 category and may be in a different economic situation than the Lower B40. This subgroup could be considered the zakat contributor in this study.

M40 (Middle 40%): Regarding income, the M40 category comprises the middle 40% of households. These households have modest incomes and are classified as middle-class. They may not encounter severe financial difficulties but must carefully budget and manage their resources. Indeed, this group is categorized as a zakat contributor.

T20 (Top 20%): The T20 group comprises the top 20% of income-earning households. Compared to the rest of the population, these households have relatively high income levels. They are often regarded as prosperous, with more financial means to invest and spend on non-essential products.

4. Conceptual Framework

The literature review serves as a valuable resource for establishing the conceptual framework of this study, offering guidance and insights into its development. The aforementioned constructs were determined to be pertinent in achieving the aims of this study, which focused on investigating the correlation between the categories of people's background, the nisab of zakat, and zakat contribution, particularly within the context of Malaysia. The framework below illustrates the dimensions that were discussed above.

Figure 2: Proposed conceptual framework.

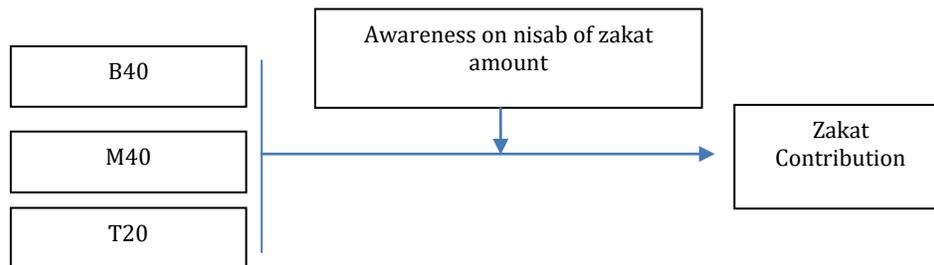


Figure 2 illustrates the conceptual framework developed to understand better the relationship between the category of people's background, the nisab of zakat awareness as the moderator, and zakat contribution as the dependent. Tentatively, the following proposition is proposed based on the conceptual framework:

- Nisab of zakat awareness has a significant positive effect in moderating the people's financial background on zakat contribution.

5. Conclusion

This paper aims to establish that Muslims' awareness of the amount of nisab (minimum amount) on wealth and properties will significantly impact the payment and collection of zakat by the zakat collection and distribution centers nationwide. It is assumed that the increase in the price of gold and silver in the world commodity market will have an adverse impact on the collection of zakat and eventually lead to the unintended result of transforming the poor and needy zakat recipients into zakat payers neither due to any significant changes in their earning status nor increase in income level but mainly because of the fluctuations in the price of gold and silver. This study provides information regarding the relationship between the nisab of zakat and the zakat collection. With this finding, the awareness of Muslims on zakat contribution could be identified and enriched further to optimize the zakat collection without burdening the low-income zakat contributor.

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