



جامعة السلطان الشريف علي الإسلامية
UNIVERSITI ISLAM SULTAN SHARIF ALI
SULTAN SHARIF ALI ISLAMIC UNIVERSITY



5th ASEAN UNIVERSITIES INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE

THEME:

ISSUES, CHALLENGES
AND FUTURE PROSPECT OF
ISLAMIC BANKING AND FINANCE



24 - 25 Rabiulawal 1439H
13th - 14th December 2017



Parkview Hotel, Jerudong,
Brunei Darussalam

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

PROCEEDINGS
5TH ASEAN'S
INTERNATIONAL
CONFERENCE ON
ISLAMIC FINANCE

(AICIF)
VOLUME 1

PROCEEDINGS
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INTERNATIONAL CONFERENCE ON
ISLAMIC FINANCE

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VOLUME 1

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Published by:

UNISSA Press
Centre for Research and Publication
Sultan Sharif Ali Islamic University
Simpang 347, Jalan Pasar Baharu
BE 1310, Gadong
Brunei Darussalam

© UNISSA Press

First Published 2017

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**Perpustakaan Dewan Bahasa dan Pustaka Brunei
Pengkatalogan Data-dalam-Penerbitan (Cataloguing-in-Publication)**

ASEAN International Conference on Islamic Finance (5th : 2017 : Bandar Seri Begawan)
Proceedings 5th ASEAN'S International Conference on Islamic Finance (AICIF)

(Vol. 1). -- Bandar Seri Begawan : UNISSA Press , 2017.

540 p. 21.59 cm x 27.94 cm.

E-ISBN 978-99917-82-79-9 (Ebook)

1. Finance--Islamic countries--Congresses 2. Bank and banking--Islamic countries--Congresses 3. Finance--Religious aspects--Islam--Congresses 4. Islamic countries--Economic conditions--Congresses 5. Globalization--Economic aspects--Congresses I. Title

332.091767 ASE (DDC 23)

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PREFACE

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

The 5TH ASEAN'S INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE (AICIF) was jointly organized by Universiti Islam Sultan Sharif Ali and Co-partners (Universiti Islam Antarabangsa, Malaysia; Universitas Islam Negeri Sunan Kalijaga, Jogjakarta, Indonesia; Universitas Islam Sultan Agung, Semarang, Indonesia; Universitas Darussalam Gontor, Indonesia; Mindanao State University of Philippines; Universiti Fatoni, Thailand) convened at Parkview Hotel, Jerudong, Brunei Darussalam on 13-14 December 2017. The conference centred on six sub-topics, namely, capital market, compliance and governance, Islamic banking, Islamic social finance and Islamic economics.

The 5th AICIF was guided by the three pillars under the vision of ASEAN: A Community of Opportunities that are, ASEAN Political-security Community, ASEAN Economic Community (AEC) and ASEAN Socio-cultural Community. AEC envisions ASEAN as a single market and production base, a highly competitive region, with equitable economic development, and fully integrated into the global economy. AEC can be realized, if ASEAN moves towards free movement of goods, services, and investments as well as freer flow of capital and skills. A free movement of services means that Islamic finance has an important role in realizing such goals.

The discussion on capital market highlighted the instruments that are traded in those market such as mutual funds, shares and sukuk. The discussion also highlighted that capital markets are increasingly interconnected in a globalized economy.

The sub-theme on compliance and governance raised the issues of having a good governance and a complaint based Islamic financial institutions. Both are important to have an impact on the transparency of the guidelines and the performance of Islamic financial institutions.

There are several issues that were reported by several papers in this conference on Islamic banking. Among the issues are: the future demand for Shariah-compliant financial services which remains bright, an effort to establish a complete set of eco-system in Islamic finance that comprises halal products and services, green environment and maqasid shariah, bridging Islamic financial literacy and halal literacy: The way forward is to create a Halal Ecosystem.

The discussion on Islamic social finance covered three main instruments namely waqf, zakat and microfinance. These instruments were recognized as tools to help in realizing the objectives of socio-economic development. The sub-theme on Islamic economics mooted the idea that Islamic finance leads to development. Islamic finance had grown in response to demand or supply. Both might boost the development of Islamic finance (e.g. demand for Islamic financial services and supply of funds for helping the economic development).

Abdul Ghafar Ismail and
Rose Abdullah

Chief Editors

AN EXPLORATORY STUDY ON UNDERSTANDING AND AWARENESS OF PAYING ZAKAT

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ABSTRACT

Related to the implementation of zakat payments in Indonesia, there appears to be a very wide gap; where the majority of Indonesian people are Muslims with very big potential of zakat funds, but in reality the national funds collected through zakat is still far from expectation. These conditions are believed to be associated with lower public understanding of Zakat, and it can result in a lack of public awareness of paying zakat. This study aims to explore the understanding and awareness of paying zakat. People who understand the Sharia of zakat, and he is a believer, would certainly have to pay zakat if he has reached the required provisions. Those who believe and knowledgeable surely will come to realize to pay zakat. Knowledge is the guidance for deeds, and the believers will pay zakat as guided by knowledge he believed in. The study showed that: (i) Awareness of paying zakat (as part of the faith and piety) is affected by understanding (knowledge) of the Sharia of zakat. (ii) Understanding (knowledge) of zakat is affected by learning through reciting and understanding al-Quran, reading Islamic books and attending Islamic studies. Moreover, the learning process improves understanding about zakat.

Keywords: Zakat, understanding, awareness.

1. Introduction

Islam is a religion that is concerned about the prosperity and welfare of the people. It is shown by its attention to the issues of poverty. There are many words of God reminding about the problem. One of the principles for the distribution of welfare for mankind is obligatory for Muslims to observe and assist the poor and those who are in trouble (Doa, 2001). Each person is responsible for the welfare of others; in this case, the rich cannot ignore their needy brothers. In the Qur'an (QS: Al-Hashr (59): 7), it is mentioned that wealth is not circulated only among the rich. We need to be aware that poverty is very dangerous for human life. Poverty, in addition to affecting the faith, belief, morality, deeds, heart and intellectual, can also influence people to commit crimes. Then, in the *hadits* of the Prophet Muhammad (peace be upon him), it was mentioned that poverty has been described as a major setback with which an individual, community, faith and believe, moral and behavior, words and deeds, thoughts and culture cannot remain safe and protected. It indicates that, the problem of poverty will endanger the prosperity and welfare of mankind, and the public peace and tranquility. Therefore, the economic security of the community is needed.

Providing that the primary need can be met by the person, then fulfillment of the need is a must for him. However, if someone is unable to meet his own needs - because he does not have sufficient assets or because he cannot earn enough wealth - then he needs help from others, so that he could meet his primary needs which are indispensable. People who cannot meet their primary needs in the form of clothing, housing and food, are categorized as poor people who need to be helped (An - Nabhani, 1996). Zakat system is the first law in action for the economic security of society. Al-Qaradawi (2006) stated that Islam guarantees the full social security to the poor and his family; it is as a form of persuasion to show kindness to the poor and also as the right of the poor. Al-Kaaf (2002) considered that the economic gap between the poor and the rich is the biggest economic disaster.

Through zakat system, Islam closes the gap and build a harmonious life between all parties. In line with this opinion, according to Halim (2001), the provision of zakat requires the balance of public welfare, it is an economic situation which is coveted by every virtuous, noble and intelligent human being. There are two important aspects which humanity can learn from the obligation to pay zakat, i.e., the aspect of charity in the form of worship and social responsibility (Qutb, 2000). These are two aspects (dimensions) attached to the economic security under Islam - the *tauhid* (divine) and the human dimension - that will not be found in other economic security concept.

The above discussion shows that Islam is very concerned about the economic security of the public and Islam has also set up the system of economic security for society based on divine guidance. Muslims task is to implement the system in real life. Associated with the implementation of zakat in Indonesian Muslim population, it seems that there is a huge gap; where the majority of Indonesian society is Muslim - with high potential to overcome poverty through zakat funds - but in reality, the zakat funds collected nationally is still far from expectation. There must be a cause for this condition. Allegedly, it is related to the community understanding on *zakat* which resulted in the lack of public awareness of paying zakat. In this regard, it is necessary to conduct an exploratory research on the understanding and awareness of paying zakat, and the correlation of understanding and learning.

2. Literature review

2.1. Islamic Social Security

Islam is a religion that regulates all aspects of life including issues related to the economic and also the economic security of society. Economic security as a form of social security is how to provide economic assistance to people who are unable to meet their primary needs (poor and needy) due to their disability to provide it. It is very necessary to protect them from harm as mentioned in the previous section because there is a close relationship between poverty and evil behavior. Al-Qur'an and Sunnah have ordered people who have been able to meet their daily needs to provide assistance to the needy and the poor. According to Al-Assal and Karim (1999), the principle of social security is one of the pillars of the Islamic economic system that guarantees the wealth of Muslim societies based on justice. For this purpose, it is then determined that zakat and various alms are as charitable systems and the state guarantees to every individual on a decent standard of living (adequacy). Qutb (2000) states that Islam does not approve people to be drawn into poverty and hunger; it shows that everyone needs to make a living by working as long as he can, but if not, then he is entitled to receive a share of money by the public. Islam also approves the existence of class differences in a society where some of people are living in luxurious standard and others are living on difficulty. Therefore, Muslims are asked to observe and help the poor and those are in distress (Doa, 2001). The rich (well-off) must participate and give something to the needy, and that is the right of the poor to get a piece of the rich (Manzoor, 1999).

Based on the concept of the west, the social security system is the result of the human thought and put more emphasis on the relationship between human (horizontal relationship) in the form of material aid to the needy and the poor (material-oriented), while the social security system according to Islam is based on the divine guidance (Qur'an and Sunnah) or by the command of Allah and His Messenger with high moral standards (i.e., the truth). This means that the social security dimension of Islam reflects the divinity as a form of obedience to God (the vertical dimension) and affectionate relationship among human (horizontal dimension), and whatever an individual does, it will be accountable in the hereafter. The Qur'an (QS: Albaqarah (2); 177) states that:

“Righteousness is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveler, those who ask [for help], and for freeing slaves; [and who] establishes prayer and gives zakah; [those who] fulfill their promise when they promise; and [those who] are patient in poverty and hardship and during battle. Those are the ones who have been true, and it is those who are the righteous.”

In line with the above verse, Allah in Surah Ali Imron- (3); 92) also stated:
“Never will you attain the good [reward] until you spend [in the way of Allah] from that which you love. And whatever you spend - indeed, Allah is Knowing of it.”

From the above verses, it indicates that giving assistance (by donation or charity of a small portion of the treasure) to others is seen as truth and also shows the level of faith and devotion to Allah and the Messenger. Islam regards social security as very important thing:

1. Command to implement social security is seen in accordance with the command to worship Allah by associating nothing to Him (Surah Annisa (4): 36):
“Worship Allah and associate nothing with Him, and to parents do good, and to relatives, orphans, the needy, the near neighbor, the neighbor farther away, the companion at your side, the traveler, and those whom your right hands possess. Indeed, Allah does not like those who are self-deluding and boastful.”
2. A social security is characteristic of those who believe and piety. Allah stated in depicting those who fear Him (QS: Adzariyat (51): 19):
“And from their properties was [given] the right of the [needy] petitioner and the deprived.”
3. And those who ignore the rights of those in need are as a sign of those who reject religion (Surah Al-Ma'un (107): 1-3):
“Have you seen the one who denies the religion? For that is the one who drives away the orphan, and does not encourage the feeding of the poor.”

Related to what is mentioned above, Al-Qaradawi (2006) stated that Islam does not overlook the community members as Allah has set (as an obligation) a certain portion (zakat payment) as their rights from the wealth of the rich. Zakat is an obligation for rich Muslims with the aim to eliminate the differences in income and restore purchasing power to the poor. It is part of the provisions of Sharia in order to realize human happiness (Falah) and the good life (hayat thayibah) with an emphasis on fraternity (brotherhood), socio-economic justice, human and spiritual fulfillment (Chapra, 2000). Therefore, It is appropriate if Al-Mawdudi (1985) stated that zakat is the best form of insurance for society because it can eliminate all the evils that arise as a result of the absence of fixed arrangements for the purpose of mutual help and cooperation.

From the discussion above, it can be concluded, with regard to the principles of Islamic social security, as follow: (i) the role of the State in order to realize social security, (ii) the principle of faith in Allah and His Messenger, and the judgement day, (iii) the principle of brotherhood and willingness to help the weak (ta'awun), (iv) the principles of truth, and (v) the principle of justice. These principles show that economic security (as a form of social security) in Islam is different from that of the Western system which emphasizes only the material aspects of helping the weak - only for humanitarian aid, and in Islam there are two aspects that need to be fulfilled - as a form of loyalty to Allah and for humanitarian aid (ta'awun) as a social obligation.

2.2. Contribution of zakat to welfare and prosperity

The word *zakat* has been mentioned in the Qur'an many times. This clearly reveals the importance of this *zakat* in Islam. It is the duty for every Muslims to pay zakat when they have reached the limit of its provisions (Nisab) as well-off contribution to the poor and needy. This means Islam basically guarantees the livelihoods of the poor and those who are disabled, not only from the generosity of the people who are given the convenience, but because there is also a right for the poor. Under these conditions, it can reduce the concentration of wealth for the rich (Solomon,

1985). Therefore, distribution rules recommend that zakat should be a source of permanent economic power (Khan).

Zakat is one of the five pillars of Islam. It is a part of worship which has a very wide social dimension of humanity, and according to Manzoor (1999) zakat is a form of social devotion and obligation. As a form of devotion, zakat payment will improve the service to Allah (*taqwa*), whereas in terms of social obligation, the payment of zakat contributes many benefits and broad impact to the community. Therefore, it is very appropriate that, in the Islamic system, the primary reliance to provide contingency protection is placed on *zakat*. According to Quraish (1999), the zakat institution is the foundation of the Islamic economic system. When the zakat institution is fully operational, it will be a fountain of economic harmony and satisfaction. The Qur'an emphasizes zakat as an essential component of socio-economic justice, and it works to ensure a fair distribution of wealth and establish a safety net for the needy members of society.

Afzalurrahman (1997) reveals that zakat is a very effective method to bridge the gap between the rich and the poor, and it also has a sense of the following functions; (1) to purify the heart or soul of miserly nature and instead zakat will encourage charity, humility and piety, (2) to encourage people towards a healthy development because zakat can prevent various crimes (bad influence) which can prevent people to take part in helping economic progress. Moreover, Al-Assal, and Karim (1999) revealed that the obligatory of zakat for Muslims is to eliminate differences in income and return purchasing power to the poor, clean up and keep the public away from malice, envy, slander and shock. This is consistent with the statement of Rais (1998), that one of the functions of zakat is to maintain psychological stability of society, i.e., to eliminate social hatred in society.

The discussion above illustrates that zakat has a very big role to the prosperity and welfare of society. Not only in terms of adequacy (security) of material from those who deserve it, but also in terms of peace of mind of society as a whole- i.e., to keep people away from resentment and envy - and the security of religion. Meanwhile, from the perspective of *muzakki*, Zakat payment is to purify their wealth from the rights of the poor and cleanse the soul from all the greed and other crimes, and God promises to grant success for those who pay zakat. Islam sees welfare and prosperity not only in terms of material adequacy, but also from the aspect of spiritual and religious salvation. This means that zakat has an important role in improving the quality of life of the people especially the poor and the needy and in achieving social justice by reducing the concentration of wealth around the well-off. This is in line with the statement of Mas'udi (1993) in which zakat is an important means of achieving social justice and the statement of Doa (2001) that- zakat is one of the principles to equalize human welfare. All of this illustrates that zakat is an important instrument of social security given in the set-up of Islam, and because zakat is as a religious duty, then it is appropriate to be the standard measurement or basic social security. The higher the zakat funds can be collected and distributed to the rightful, this shows the better level of economic security and social security for the needy, it means that the level of prosperity and welfare of the community will be better. In other words, an increase in the amount of zakat funds collected illustrates an increase in the welfare and prosperity of the people. It is expected that the zakat funds collected is to meet primary needs (clothing, housing and food) for the poor and needy. The fulfillment of the primary needs of the poor and the needy shows that economic security is intact. The distribution of Zakat in adequate and fair manner will be able to strengthen the socio-

economic conditions of the community. This shows that poverty can be eradicated through zakat instrumentation. This is consistent with the main goal of zakat, that is to eradicate poverty with expenditures for public welfare (Al-Qaradawi (2006). The other important thing is that an increase in the payment of zakat is capable of eliminating (at least reduce) the class conflict by removing economic gaps condition of the individual. Based on the discussion above, it can be stated that zakat as an instrument of social security is built on the principle of divinity (*tawhid*), fairness and generosity, or justice and mercy. Therefore, the measurement of the level of prosperity and welfare of the Muslim community should be different from other communities which corresponds to *maqashid asy-syari'ah* (i.e., to reach *falah*).

2.3. Knowledge (understanding), Faith and Awareness of paying zakat

Islam has urged about the importance of faith and knowledge, that those who believe and have knowledge will be raised in higher degrees (QS; 58:11), and therefore Islam encourages people to seek knowledge as is mentioned in the Qur'an: 16: 43 and Surah 21: 7) "*.. then ask the person who has knowledge if you do not know.*". Likewise, it was also affirmed in the Qur'an (Surah 9: 122):" ... "*why some of each group of them do not go deeper into their religious knowledge and to warn their people.*" In terms of the science and practice, Islam forbids people to follow anything they do not know (do not have knowledge of it) as mentioned in Qur'an (17: 36):" *And do not follow what you do not know*".

From the discussion above, we can conclude that faith and science has important position in Islam, and in doing something, it should be based on knowledge (knowledge of religion/theology). As stated by Al-Qaradawi (2004), the ultimate goal of religious knowledge is faith and implementation in all sides of its application. The knowledge of religion teaches the truth, not only knowing, but also believing, loving and animating. The knowledge of religion also teaches about the obligations that must be done and equipped in the soul with its realization. Faith in Islam is not just a slogan, recognition or bigotry against others, but it is a moral nature which is justified by positive action. Islam encourages (motivates) the believers to do the deeds that have been taught by religion. The believers do good, perform prayer and give *zakah*, they will have their reward in the side of God (Surah 2: 277). Whoever believes in Allah and the Last Day and performs virtue, they are rewarded by Allah (Surah 2: 62). Likewise, those who believe and work righteousness, they are the companions of Paradise, they will abide therein (Surah: 2: 82). Therefore, the knowledge of religion is the knowledge to be practiced. Kasyam (2014) gives his views on knowledge. Knowledge is the ultimate means to get closer to God. Knowledge is light placed by God in the heart of someone who pleases for the sake of guidance. Knowledge is a medium to get closer to God. Therefore, to study and practice it is the perfection of religion. It can raise the heart from ignorance, shine eyes from the darkness, and strengthen the body from weakness. With knowledge, Allah elevates (positions) some people and makes leaders in goodness. With knowledge, God is obeyed and worshiped. The knowledge guides our deed and deeds follow knowledge. Therefore, those who believe and knowledgeable, then will try to apply their knowledge, if they have reached the terms. People who have understood (to have knowledge) about Zakat, while he is a believer, of course, he will pay zakat if he has reached the required provisions. This means that people who believe and have knowledge will surely arrive at the awareness of paying zakat. Zakat is prescribed for those who believe, and paying Zakat is one of the characteristics of the true faith and pious (QS: 2; 177).

An understanding of the sharia of knowledge, particularly about zakat, can be obtained by studying the knowledge of the law itself, which can be done by reading and understanding the Quran, reading Islamic books and attending Islamic studies which is guided by the ulama (religious scholars). Therefore, Islam commands Its follower to study the science and knowledge of religion (Surah 9; 122, QS: 16; 43, QS: 21; 7). Related to learning, understanding and deed, there is a research that can be used as a reference (although in other areas; choosing foods). It is the research by Wohldmann (2013) which showed that learning (learning) will result in changes in behavior, and understanding (knowing) correlates with doing, (although) it has a complex relationship. The provision of information will reduce the gap between understanding and practice. The result of the study provides information that individual understanding of something will draw his action (practice) in accordance with such understanding.

3. Research methods

3.1. Research Type

This study is an exploratory research which is aimed to explore the correlation of Muslim community understanding and awareness of paying zakat which is indicated by the realization of the community in paying zakat, and explore the extent to which an understanding of Muslim community to the sharia of zakat and figure out from where they gain knowledge of zakat.

3.2. Setting, Population and sample.

This study was conducted at Sultan Agung Islamic University Semarang as one of the Islamic University which is active in science reconstruction based on the values of Islam. This study was conducted on the lecturers who have been and still get the grants of certification lecturers of Higher Education (Dikti) which was many as 191 people. This is based on the assumption that the lecturers are as a profession (as evidenced by obtaining a professional lecturer certificate from DIKTI) which then they get a certification grants. The Entire Sultan Agung Islamic University lecturer who has been and still receive the grants of certification get a chance to be a sample. Basically, every lecturer who get certification grants was given questionnaire, however, it was only 70 lecturers who were willing to fill the questionnaire given.

3.3. Data source

This study used secondary and primary data. Secondary data is data related to the number and names of lecturers who have received certification grants from Human Resources Development Division of Sultan Agung Islamic University. While the primary data is data obtained directly from respondents (lecturers) associated with their understanding and awareness of paying zakat (execution of payments and commitments). Primary data were obtained by using questionnaire instrument (list of questions that have been compiled).

3.4. The operational definition of variables, indicators and measurement

1. The understanding about zakat is essential knowledge related to the Sharia of zakat (provision of paying zakat), who is entitled to receive zakat, benefits of zakat, and understanding about the difference between *zakat* and *shadaqoh*. Indicators of the understanding about zakat are:
 - a. Knowing about the foundations (arguments of the proposition) of zakat.
 - b. Understanding that paying zakat is part of the faith and piety, and social caring.
 - c. Understanding about the idea of *nisab*
 - d. Understanding about the various treasures included in zakat
 - e. Understanding about the obligation to pay zakat is equal to the obligation of prayer.
 - f. Understanding of those who are entitled to receive zakat.
 - g. Understanding the benefits of zakat (for self and society)
 - h. Understanding the difference between zakat and *sadaqah*
2. Awareness of paying zakat is to realize and implement paying zakat based on self-awareness (without force) that emerge from faith. the Indicators are as the following:
 - a. Being Aware of having to pay zakat.
 - b. Paying zakat on an ongoing basis.
 - c. Still paying zakat even though there is no obligation from government.
 - d. Convincing others to pay zakat.
 - e. Paying zakat as a form of obedience to God.
 - f. Recognizing zakat as an important instrument in Islamic economics.
3. Learning is an attempt to gain understanding and acquire knowledge. Knowledge in this research is the knowledge of religion (sharia). The indicators of religious learning are:
 - a. Trying to recite and understand Al-Qurán,
 - b. Reading Islamic books.
 - c. Attending/following Islamic studies guided by the ulama (religious scholars).

Measurement of these three variables mentioned above are based on the level of agreement on questions of each indicator by using the scale of measurement as follows: Strongly Disagree (STS) is 1, disagree (TS) is 2, Doubtful (R) is 3, agree (S) is 4, and strongly agree (SS) is 5.

3.5. Analysis Method

This research employed a descriptive and correlational analysis. The descriptive analysis was conducted to describe community understanding and awareness of paying zakat, and from where they gain the understanding of zakat (based on indicators set). Simple regression analysis was performed to figure out the effect of learning on the understanding and the effect of understanding on awareness of paying zakat. The regression equation applied is as follows:

$$Y_1 = b_0 + b_1 X_1 + e$$

$$Y_2 = b_0 + b_2 Y_1 + e$$

IN which,

Y_1 = Understanding of zakat

X = learning

Y_2 = awareness of paying zakat

b_i = coefficient of regression

e = error term

This analysis is intended to determine the effect of learning on the understanding about zakat and, and the effect of understanding on awareness of paying zakat as a manifestation of faith.

4. Results and Discussion

4.1. General Description of Respondents

Respondents of this study are lecturers of Sultan Agung Islamic University Semarang as many as 70 people who are willing to fill out questionnaire of 191 lecturers receiving certification grants. In connection with the sex of the respondent, 53 percent of respondents are male and the remaining 43 percent are women, with ages between 35 to 68 years. 64.3 percent of the respondents are master degree 64.3 percent and 35.7 percent have a doctorate.

4.2. Variable Description

This section will describe three research variables, i.e., the variable of awareness of paying zakat, the variables of understanding about zakat and the variable of learning.

4.2.1. Awareness of Paying Zakat

Based on the finding of the research, it can be described about the awareness of respondents to pay zakat based on Indicators proposed. The results showed that most respondents have had a high awareness of paying zakat. It can be seen from the respondent's answer that most of the respondents answered agree with all the questions based on the indicator proposed. Only a few did respondents answer hesitantly and almost no one answered disagree. In detail, the respondents' answers related to the awareness of paying zakat can be seen in Table 1 below:

Table 1. Description of Awareness of Paying Zakat

No	Indicator	Strongly Disagree	Disagree	doubt	Agree	Strongly Agree	Total
1	Having felt have to pay zakat.	-	-	6 (8.6%)	22 (31.4%)	42 (60%)	70 (100%)
2	Having paid zakat on an ongoing basis.	-	-	8 (11.4%)	34 (48.6%)	28 (40%)	70 (100%)
3	Convincing others to pay zakat.	-	1 (1.4%)	20 (28.6%)	35 (50%)	14 (20%)	70 (100%)
4	Zakat is an important instrument for the empowerment of the poor.	-	-	3 (4.3%)	27 (38.6%)	40 (57.1%)	70 (100%)
5	Paying zakat though there is no obligation from the government.	-	-	2 (2.9%)	18 (25.7%)	50 (71.4%)	70 (100%)
6	Paying zakat as a form of obedience to Allah.	-	-	-	8 (11.4%)	62 (88.6%)	70 (100%)

Source: Primary data processed (2017).

4.2.2. Understanding About Zakat

The understanding about zakat by respondents can be seen from the indicators as already mentioned in the previous section. Research findings show that in general respondents know / understand about the provisions of zakat, the benefits for himself and for others (economic). It can be shown that most respondents answered agree and strongly agree on the question based on the indicators proposed. Respondents' answers to questions based on the indicators can be seen in the table 2 below:

Table 2. Description on the understanding about Zakat

No	Indicator	Strongly Disagree	Disagree	doubt	Agree	Strongly Agree	Total
1	Understanding that Zakat must be paid when <i>nisab</i> is reached	-	-	-	8 (11.4%)	62 (88.6%)	70 (100%)
2	Understanding the limits of <i>Nisab</i> on treasure included in zakat.	-	1 (1.4%)	7 (10%)	21 (30%)	41 (58.6%)	70 (100%)
3	Understanding that paying zakat is part of faith	-	-	2 (2.9%)	10 (14.3%)	58 (82.9%)	70 (100%)
4	Understanding that paying zakat is one of the characters of pious person.	-	-	2 (2.9%)	11 (15.7%)	57 (81.4%)	70 (100%)
5	Understanding that paying zakat is as part of social concern.	-	-	1 (1.4%)	11 (15.7%)	58 (82.9%)	70 (100%)
6	Understanding that paying zakat will clean envy and evil nature.	-	-	3 (4.3%)	14 (20%)	53 (75.7%)	70 (100%)
7	Understanding that paying zakat will clean up resentment and envy.	1 (1.4%)	-	8 (11.4%)	23 (32.9%)	38 (54.3%)	70 (100%)
8	Understanding that by paying zakat, he will receive compensation payments.	-	1 (1.4%)	1 (1.4%)	11 (15.7%)	57 (81.4%)	70 (100%)
9	Understanding that zakat will raise local economic.	-	-	2 (2.9%)	24 (34.3%)	44 (62.9%)	70 (100%)
10	Understanding that zakat will purify property of the rights of others.	-	1 (1.4%)	-	17 (24.3%)	52 (74.3%)	70 (100%)
11	Understanding the difference between zakat and <i>sadaqah</i> .	-	-	1 (1.4%)	24 (34.3%)	45 (64.3%)	70 (100%)
12	Understanding that there many verses commanding about zakat in the Qur'an.	-	-	3 (4.3%)	26 (37.1%)	41 (58.6%)	70 (100%)
13	Understanding of who is entitled to receive zakat.	-	-	2 (2.9%)	30 (42.9%)	38 (54.3%)	70 (100%)
14	Understanding the various treasures included in Zakat.	-	1 (1.4%)	8 (11.4%)	43 (61.4%)	18 (25.7%)	70 (100%)
15	Understanding that zakat obligation is equal to the obligation of prayer.	-	2 (2.9%)	9 (12.9%)	18 (25.7%)	41 (58.6%)	70 (100%)

Sources: Primary data processed (2017).

4.2.3. Learning to gain understanding

The learning process is very important to gain understanding (knowledge). Here is an overview of the learning process of the respondents to obtain understanding about zakat.

Table 3. description of learning to gain understanding

No	Indicator	Strongly Disagree	Disagree	doubt	Agree	Strongly Agree	Total
1	Reciting holy Qur'an and its meaning	-	-	9 (12.9%)	39 (55.7%)	22 (31.4%)	70 (100%)
2	Reading books about Islam	-	-	5 (7.1%)	42 (60%)	23 (32.9%)	70 (100%)
3	Taking part in religious study.	-	-	5 (7.1%)	42 (60%)	23 (32.9%)	70 (100%)

Sources: Primary data processed (2017).

From Table 3 above, it was illustrated that the general process of learning to get understanding on the Sharia of zakat was done through reciting holy al-Quran and its meaning, reading Islamic books and attending Islamic religious studies and it is only a small proportion of respondents who do that.

4.3. Test Instruments: Validity and Reliability

4.3.1. Test of Validity

Test of the validity of this research was used to determine whether the indicators proposed in this study may reflect or reveal variables measured. The test results showed that all indicators (in each variable) are correlated significantly on the variable formed it with a correlation coefficient value of 0.554 to 0.690 for the variable of understanding, 0.562 - 0.785 for the variable of awareness, and 0.775 to 0.861 for the variables of learning with a significance level of one percent. These results indicate the Instruments used in this study are valid and have a high degree of validity.

4.3.2. Test of Reliability

Test of Reliability is used to measure how high the instrument is trustworthy or reliable (having consistent measurement results). An instrument is said to be reliable if it meets the value of Cronbach alpha > 0.6. The result of the calculation of Cronbach alpha of all variables are described as follows:

Table 4. Reliability Test Results

Variables	Cronbach alpha	Information
Understanding	0.750	reliable
Awareness	0.770	reliable
Learning	0.829	reliable

Source: Output of Reliability Test Result, 2017

The results of reliability test above showed the value of Cronbach alpha is more than 0.6. This means that the measuring instrument (questionnaire) used can be trusted because it has a high consistent level, so that it can be used in the study.

4.4. Regression analysis

Analysis of Regression was done after fulfilling the requirements of assumptions, normality, heteroscedasticity and no autocorrelation. Test on the assumptions that have been done was the test for normality (Normal PP Plot of Regression Standardized Residual), heteroscedasticity test (Scatter Plot), and autocorrelation test (Runs test). The test results showed that all indicators meet the requirements specified in the assumptions of normality, homoscedasticity, and no autocorrelation.

4.4.1. The effect of Learning on Understanding

Learning (reciting and understanding al-Quran, reading Islamic books and attending Islamic studies) affects the understanding about zakat. The Results of estimation on the effect of learning on understanding zakat are as follows:

Table 5. Estimation results of the effect of learning on understanding zakat

Variables	Regression coefficient (Standardized)	Standard Error	t value	significance
Learning	0.674	0.322	7.516	0.000
F	= 56 497			0.000
R Square adj	= 0.446			
DW	= 1,769			

Source: Output estimated regression equation, 2017.

Based on estimation results above, it seems that learning has a positive impact significantly on the understanding/knowledge about zakat (regression coefficient = 0.674, at a significance level of one percent). These results indicate that the learning process may enhance the understanding of zakat. By reciting and understanding the Quran, reading books and following Islamic studies, it can increase knowledge about zakat; understanding that the payment of zakat is part of the faith and piety as well as social caring; understanding *nisab*; understanding the various treasures to be paid as zakat; understanding that the obligation to pay zakat is equal with the obligation of prayer; understanding who is entitled to receive zakat; understanding the benefits of zakat (for themselves and society); and understanding the difference between zakat and *sadaqah*. Biyanto (2015) explains that the Qur'an and hadits become the major source of Islamic sciences and they can be used as a source of knowledge. Furthermore, it is mentioned also that the Quran and hadith are sources of intellectual and spiritual beings as well as a major source of religious practice. Overall, the Qur'an serves as a guidance for mankind and differentiate between the good and the evil, as well as a light for all people. Through reading Islamic books and attending Islamic studies, it will gain clarity and in-depth knowledge about Islamic law (including the zakat). The first revelation for Prophet Muhammad SAW was in the form of a reading command (*iqra*). Biyanto (2015) explains that the word *iqra* means *to collect*. It contains a lot of meaning such as studying, searching, researching, knowing the characteristics of something, and reading the text written and unwritten. *Iqra'* means read, examine, focus, and know the characteristics of everything. Ismail (2013) explains that the philosophy of *iqra* teaches the principles of Islamic education or learning.

Therefore, humans should use a variety of resources to acquire knowledge, including reciting holy Quran, reading book (using vision) and following/attending religious studies (using sight and hearing). This means that the learning process is an important part for the increase of understanding (knowledge related to religion).

4.4.2. The Effect of understanding and Awareness of paying zakat

Understanding will lead someone to have awareness of doing something. knowledge will lead to good deeds. An understanding of the zakat will lead to willingness to pay zakat, as ordered by religion. The estimation results of the effect of understanding on the awareness of paying zakat are as follows:

Table 6. The result of estimation on the effect of understanding on awareness of paying zakat

Variables	Regression coefficient (Standardized)	Standard Error	t value	significance
Understanding	0.764	0.036	9.773	0.000
F	= 95.505			0.000
R Square adj	= 0.578			
DW	= 2.140			

Source: The output results of the regression coefficient estimates, 2017.

Based on the results of the regression coefficient estimates, it is obtained that the regression coefficient value was 0.764 (positive sign) at a significance level of 1 percent. This means that understanding about zakat has significant positive impact on the awareness of paying zakat. From the above test results, it can be explained that a high understanding of zakat will increasingly lead a higher awareness of practicing it. This finding is consistent with the opinion by Ismail (2013) which states that knowledge established by God is as the basis and foundation of faith and good deeds. Faith actually requires knowledge as well as worship and good deeds. Yazid (2007) states that the understanding of the knowledge of religion would lead to faith. In a hadith, it was stated that: "*No slave has obligations to God until he understands with the intellect and not all the devout achieve their primacy of worship as reasonable people achieved.*" (quoted by Kashani, 2014). Related to good deeds, fulfilling the obligation to pay zakat is part of the faith and piety to Allah. Zakat is the most important element in Islamic economic system. The effect of understanding on awareness of paying zakat schematically is described as follows:

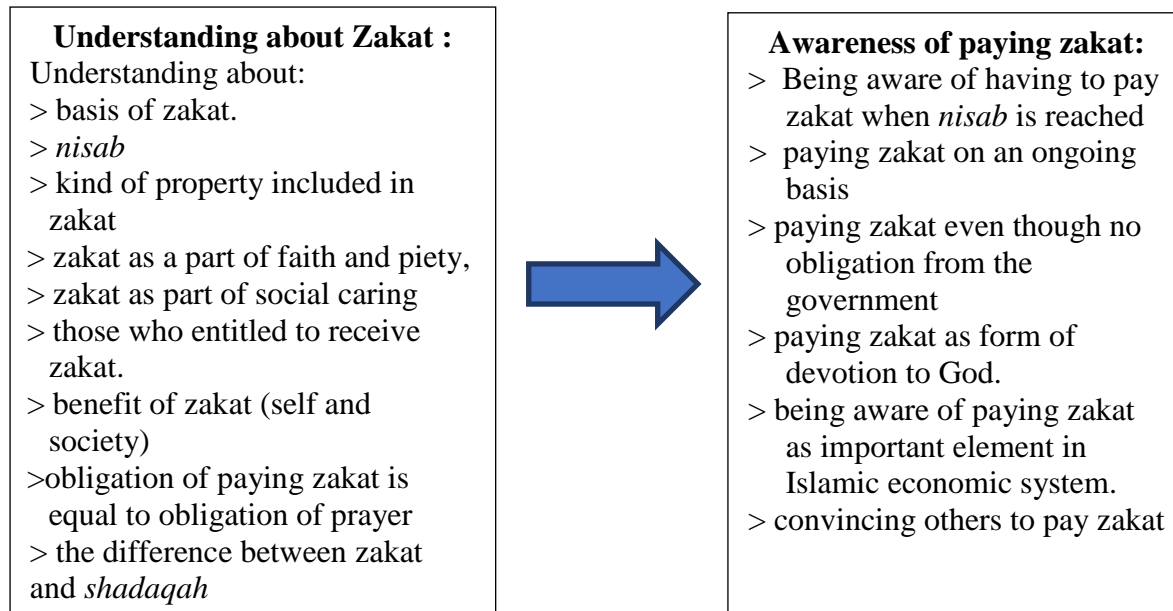


Figure 2. The Effect of understanding on awareness of paying zakat.

From the discussion above, it can be explained that in order to increase public awareness in paying zakat, it requires efforts to improve public understanding about zakat. In this regard, the role of propaganda, *ulama* and zakat institutions in an integrated manner is essential. It is a missionary movement that once also becomes a movement of economic improvement of the people. By increasing public awareness of paying zakat, then the target of zakat funds collection will be increased which, in turn, will give impact on improving the welfare and safety of the economic community.

5. Conclusion

Be aware that poverty is very dangerous for human life, in addition to affecting the faith, belief, morality, deed, conscience and mind, it also influences people to commit crimes. That means that the problem of poverty endangers the prosperity and welfare of mankind, and dangerous for the peace and tranquility of society. Therefore, the problem of poverty need to get attention and solution and one of which is through the mobilization of zakat funds. However, the collection of zakat fund is still a problem. The target achieved of collecting zakat fund is still far from the target. This condition is believed to have relationship with community understanding on zakat which resulted in the lack of public awareness in paying zakat.

The results of this exploratory study indicated that that: (1) understanding/knowledge has positive effect on the awareness of paying zakat. The higher the level of understanding on zakat is, the higher the awareness of paying zakat. (ii) learning through reciting and understanding al-Quran, reading books and attending Islamic studies positively affect the understanding of Zakat. In conclusion, learning process improve understanding on zakat.

From these results, it is indicated that for increasing the public awareness to pay zakat, it is necessary to improve understanding of zakat through the learning process of reciting and understanding al-Quran, reading books and attending Islamic studies. In this regard, the role of propaganda, *ulama* and zakat institutions in an integrated manner is essential to help realize the learning process massively. It is a missionary movement that at once is also a movement of economic improvement of the people. By the increase in learning, understanding and public awareness of paying zakat, then the target of collecting zakat funds will be met which will have an impact on improving the welfare and economic security of the people.

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