

Management of Zakat Funds by Students in a Public University

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Abstract

The main objective of this paper is to identify how students from a public university in Malaysia manage their zakat funds. Specifically, it aims to identify the spending patterns of these students, their cash management behaviours, how the funds have benefited them, and lastly to determine whether some formal cash management program is necessary to guide them in ensuring a spending behaviour that will result in sustainable cash flow to the recipients. This paper is descriptive and explanatory using primary data. An online survey was distributed in August 2024, to 176 students of the Zakat recipients from a public university in Malaysia with a 76.1% response rate. The findings revealed a prudent spending pattern among the recipients, indicating good management behaviours. These behaviours are manifestations of good parental and peer influences and financial literacy. The findings from this paper will help the university identify the necessary programs that could enhance the student's ability to efficiently manage funds to ensure sustainable cash flow during their time in university and lay the foundation for a lifetime of good saving and spending habits.

Keywords: Spending Behaviours, Cash Management Behaviours, Zakat

Introduction

Zakat is a self-help measure adopted with full religious backing to support those poor and destitute who cannot help themselves alleviate misery and poverty in Muslim society (Chapra, 1992). It is perceived as a means of 'purification' of wealth and soul, which helps in suppressing greediness while the system keeps the Muslim communities from economic inequalities' unfavorable consequences (Nadzri et al., 2012). The zakat funds were sourced based on Islamic belief as a sign of obedience to God, to protect the poor and needy from any financial material problems. The distribution of zakat is to fulfill six basic needs of the zakat recipients: food, clothing, shelter, education, health, and transportation (Embong et al, 2013). Full-time students are eligible to be categorized as one of the poor asnaf as they are unable to be employed or tied with rules that prohibit them from working (Saruchi et al, 2015). Qardawi (1999) elaborated that such individuals are eligible to receive zakat to assist them in

gaining knowledge regardless of any branch of knowledge pursued, either earthly or religious studies if the knowledge will contribute to the whole community. Providing Zakat assistance for education plays a vital role in empowering the students by offering financial aid for education and human capital development.

Zakat assistance is available to students who meet the eligibility criteria in this public university. The payments are in two modes either as a one-off payment per semester or as monthly payments given throughout the semester. Even though the zakat assistance given is not large, considering the core principles of how these funds were sourced, it is only fair that the recipients use them wisely, in line with the main objective of zakat distribution. The recipient of this assistance should manage this funding to ensure sustainable cash flow while seeking knowledge and self-development. Sustainable cash flow in this context refers to a continuous stream of funds available when needed to provide necessities to a student.

In ensuring that the funding contributes to the recipient's well-being, the fund providers may need to look at how the recipients manage these funds, through their spending habits which are affected by parental and peer influences, and their level of financial literacy. If their spending habits seem mismanaged, then a formal intervention may be needed to assist the recipient in managing their funds. This is important because of the spending habits of the younger generation, and the issue of uncontrolled spending and poor saving habits is worrying. Kumar et al (2022), mentioned that the uncontrolled spending behaviours of the younger generations in Malaysia are becoming more common. Spending is defined as investing money in something a person wants or needs; this can be in the form of goods or services such as food, shelter, clothing, health care, and transportation (Carter, 2014). The younger generations tend to indulge more in wants than needs and with the normality of online shopping and gaming, travel, and socializing, these spending habits, if not managed, may eventually affect their financial well-being in the future.

Currently, there is no mechanism to determine how students spend their funds or assess whether they have the necessary knowledge to ensure the funds given are utilized at most to ease financial burden throughout their studies. Early intervention in the form of a formal program on cash management, saving, and spending practices given to all recipients would enable the funding unit to ensure the funds given would be managed effectively and rest assured that the core objectives of giving the funds are met. The aim of this study is (1) To determine the spending pattern and the cash management behaviours among zakat recipients, (2) To identify the benefits of zakat assistance to the recipients, and eventually (3) To propose to the funding unit the need for suitable cash management programs that would empower zakat recipients to better fund management practices.

Literature Review

This section provides some theoretical background on cash management skills and behaviours, financial literacy, parental influence, peer influence, and benefits of zakat to the student.

Cash Management Behaviours

Spending habits and patterns differ amongst individuals and may be influenced by several factors such as age, income, gender, ethnicity, family history, and personality. Ultimately

these factors help shape the level of financial literacy which is manifested in their spending habits. Rakow (2019), claimed that poor money management is the cause of university students' lack of financial understanding. Kamis et al (2021), define spending behaviours as distributing money in response to an activity, atmosphere, or person to satisfy needs. According to Obagbuwa and Kwenda (2020), a spender is classified as a poor spender if he or she has poor discipline regarding constant spending behaviours. With the increasing cost of living, the cost of academic-related goods and supplements, casual or impulse spending on lifestyle goods, and the lack of saving habits, some form of training or knowledge on money management is seen as necessary to ensure whatever funds they receive can sustain their needs throughout their period of study.

The Cash Management of Zakat questionnaire adopted for this survey was based on the study done by Md Kassim et al (2022), Zulfaris et al (2020), and Bashir and Ali (2012). These studies assessed cash management behaviors through financial literacy, parental influence, and peer influence. Some modifications were made to the questionnaire to suit the objectives of this study. An understanding of these would enable an intervention exercise to be designed, especially in the case of students, that would eventually result in a better cash management lifestyle.

Financial Literacy

Remund (2010), defined financial literacy as the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. These skills and knowledge allow individuals to make informed and effective decisions on how to manage their financial resources. It denotes the establishment of assistance and knowledge that permits a person to make knowledgeable and real decisions over their thoughtful financial management (Mohamud 2019). Financial literacy for students is important as it discourages negative spending habits such as impulse buying, allowing them to plan their expenses, and understand the consequences of overspending. Ahmad et al. (2024) in their study indicated that financially literate students are more likely to demonstrate responsible spending habits, thus having sufficient financial knowledge is especially important for university students who frequently manage limited funds in efficiently managing their financial commitments. By enhancing their financial literacy, students will be able to make more educated judgments about their spending as they can comprehend ideas like debt management, budgeting, and saving.

Parental influence

Youniss (1992), stated that, in general, individuals tend to make decisions about their finances, and the decisions they make are influenced by their parents, socialization from parents is one of the most powerful factors factors in influencing children's behavior in the future. Sabri and Falahati (2012), view parents as primary socialization agents who have a positive effect on financial literacy levels. They discovered that students' financial literacy is enhanced significantly with earlier childhood experiences in family financial matters. The involvement of parents in discussing financial issues related which children may enhance money management behavior in which the children are more aware and able to manage their expenses on time (Akben-Selcuk, 2015). Parents can thus enhance their children's financial literacy which indirectly improves their understanding of financial management. Their role in

instilling an awareness of the importance of good financial habits may enhance the children's financial management skills and knowledge.

Peer Influence

Individuals may be influenced by their peers. Those individuals having a peer environment with good academic levels tend to be more patient in saving behavior (Furnham, 1999). Peer attachment may encourage or discourage money spending, depending on the type of friends they have. Makgosa and Mohube (2007), indicated that peers play a critical role in shaping one's attitudes, beliefs, and behaviours, as students spend the majority of their time in university with peers. Since peers can promote many things including academic cheating, it is not impossible for them to also improve, proper money management (Gentina, Tang, & Gu, 2018). This is mainly because when people shop with friends, they seek to resort to each other expert advise, adapt to others' tastes, and use each other's values to guide their purchasing decisions. Laursen and Veenstra (2021), in their study, claimed that there is a high correlation between peer influence and university students' shopping behaviour. This view is similar to the study by Kumar et al (2022), which indicated that peer influence is one of the elements that affect students' spending behavior.

Benefits of Zakat to Students

Financial problems are commonly faced by everyone, especially those who come from underprivileged or low-income families. According to Asri et al (2017), although students do not commit to paying monthly debt installments like other households, however, their status as students requires them to pay their education fees, rent, and other essentials, which they receive financially from loans, scholarships, or their families. Thus, the provision of zakat to students does help to resolve most expenses that are relevant to them during their period of study. It helps eliminate financial problems that may eventually lead to financial stress which will eventually influence the low academic performance of the students. Widener (2017) indicated that financial stress has been consistently related to students' low academic performance. Thus, zakat provides relief from financial stress as it helps improve the recipients in terms of maintaining better lives and facilitating better focus in their academic activities.

Methodology

An online survey was distributed to 176 students of the zakat recipients from Universiti Teknologi MARA (UiTM) Sarawak. Only 134 responses were received, giving a 76.1% response rate. The respondents comprised 28 (20.9%) students from semesters 1 and 2, 72 (53.7%) from semesters 3 and 4, 31 (23.2%) from semesters 5 and 6, and 3 (2.2%) from semesters 7 onwards. Of the 134 responses, 121 (90.3%) students received a one-off payment of zakat or only once per semester, and 13 (9.7%) students received a monthly zakat payment.

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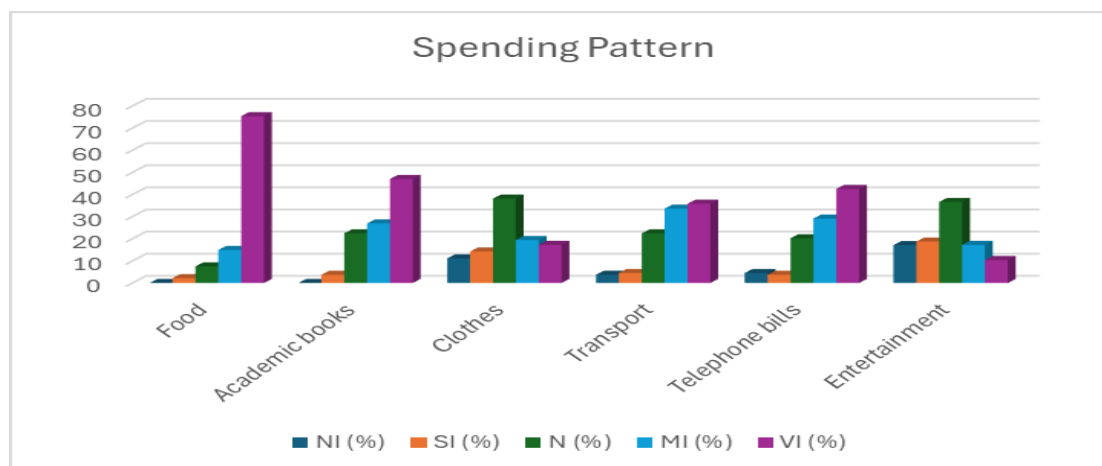
management behaviours, and the benefits of zakat assistance to the zakat recipients. The questionnaire is scored using a “Five-point Likert Scale”.

Results and Discussion

This section reports the findings regarding the spending pattern, cash management behaviour, and the benefits of Zakat assistance. Cash management behaviours are assessed through financial literacy, parental influence, and peer influence.

Spending Pattern

In determining the priority of spending patterns, the study indicated that 90.3% of the respondents rank food as an important expense followed by academic books 73.9%, paying telephone bills 71.6%, and transport 69.4%. A low percentage was recorded for the purchase of clothing 36.6% and entertainment 27.6%, it is likely that clothing and entertainment were categorized as seasonal expenses. This study indicates that the zakat recipient spends wisely on the necessities relevant to the student’s needs. The finding is consistent with the objective of zakat which is given to fulfill the basic needs of the recipient as stated by Embong et al, 2013.

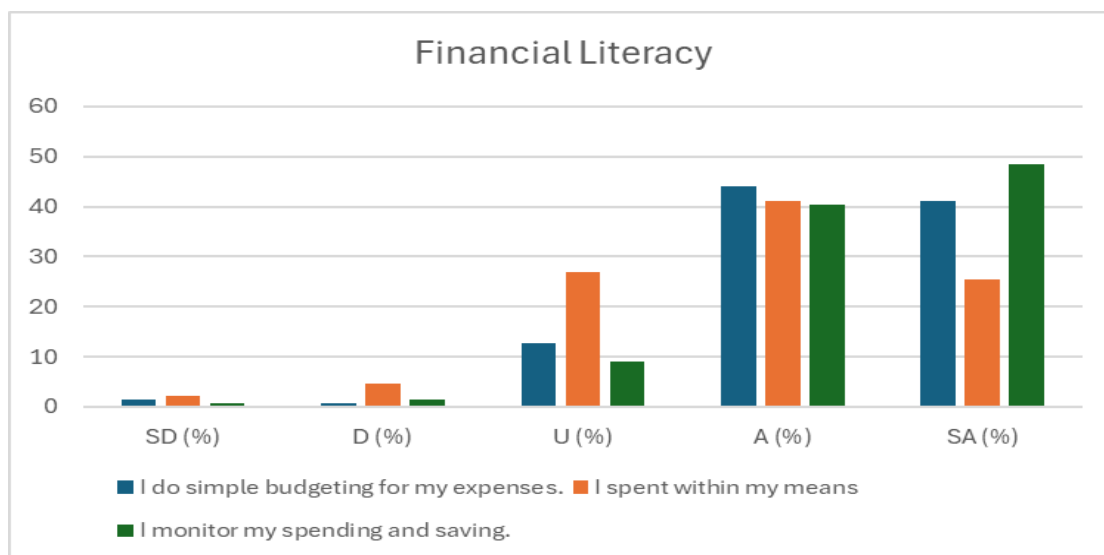


Key: Not at all important (NI), Slightly important (SI), Neutral (N), Moderately important (MI), Very Important (VI)

Figure 1: Spending Pattern

Financial Literacy

On financial literacy, the study indicated that 88.8% of the respondents monitor their spending and savings, 85% do simple budgeting for their expenses and 66.4% indicated that they spend within their means. This study indicated that most of the zakat recipients are financially literate as they monitor their spending and savings. This is consistent with the study by Ahmad et al (2024), which indicated that financially literate students tend to demonstrate responsible spending habits as reflected by their spending patterns.

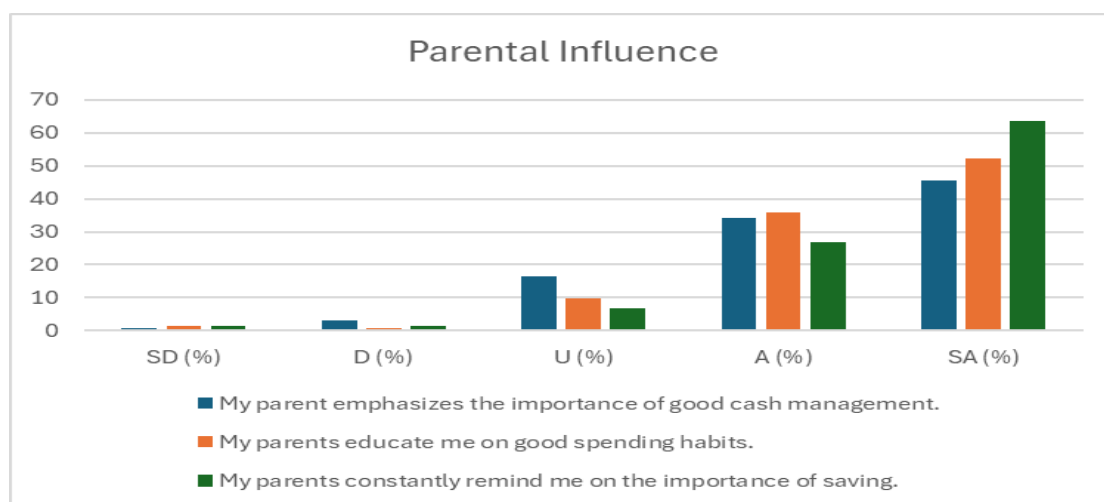


Key: Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), Strongly Agree (SA)

Figure 2: Financial Literacy

Parental Influence

Concerning parental influence, 90.3% indicated that their parents constantly remind the zakat recipients of the importance of saving, 88.1% showed that their parents educate them on good spending habits, and 79.9% indicated that their parent emphasizes the importance of good cash management. Through this study, we found that parents indeed played their role in advising and influencing their children in terms of managing their finances. This finding is consistent with Youniss (1992), Falahati (2012), and (Akben-Selcuk, 2015) that parents played an important role in instilling good financial habits. However, this study also indicates that there are parents who may not establish in their children the idea of prudent spending and saving practices.

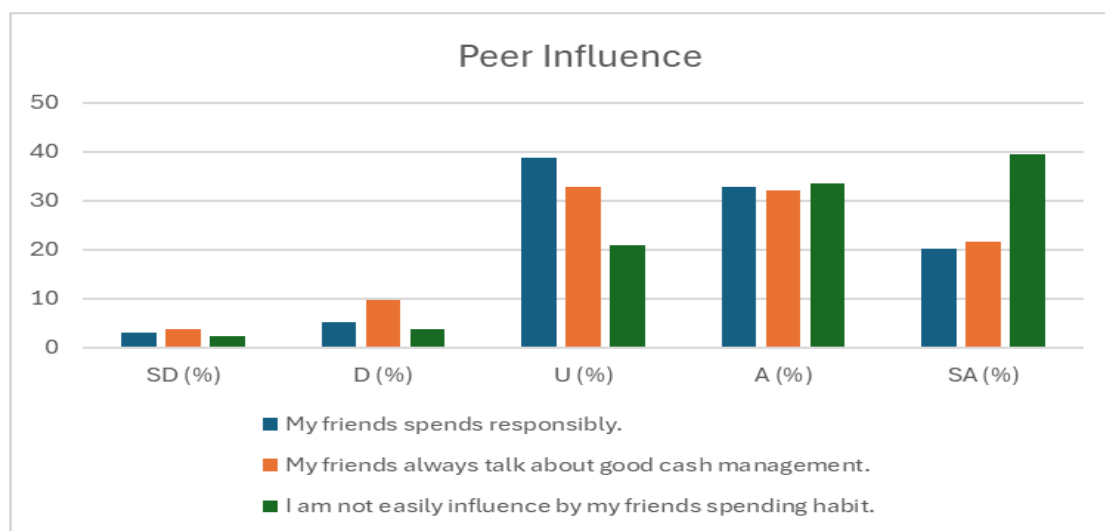


Key: Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), Strongly Agree (SA)

Figure 3: Parental Influence

Peer Influence

On peer influence, 73.2% of the respondents indicated that their friend's spending habits did not easily influence them, 53.8% of the friends always talk about good cash management and 53% indicated that their friends spend responsibly. Thus, these findings showed that the influence of friends to some extent affects the spending and saving habits of the zakat recipient. The finding of this study is consistent with Makgosa and Mohube (2007), Gentina, Tang, & Gu, (2018), Laursen and Veenstra (2021), and Kumar et al. (2022) which concluded that peer influence has a profound effect on students' spending behaviour.

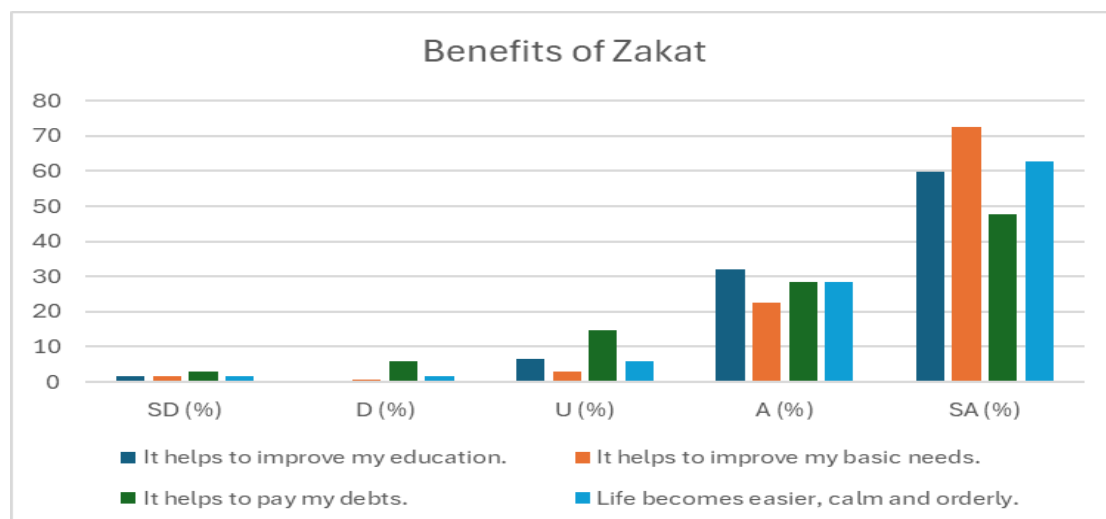


Key: Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), Strongly Agree (SA)

Figure 4: Peer Influence

Benefits of Zakat Assistance to the Recipients

On the benefits of zakat, 94.8% of the respondents agreed that zakat helps them to improve their basic needs and 91% indicated that their life becomes easier, calm, and orderly with the zakat assistance. Next, 91.8% indicated that zakat helps to improve their education followed by 76.2% said that zakat assistance helps to pay their debts. Although the Zakat fund may not be much, it does help to improve the maintenance of better lives and facilitate better focus in academic activities. Financial stress if not addressed will lead to low academic performance as indicated by Widener (2017).



Key: Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), Strongly Agree (SA)

Figure 5: Benefits of Zakat

Cash Management Program as Suggested by the Zakat Recipients

Even though this finding shows a positive spending pattern, students still suggest that the university organize programs that will help them to be more knowledgeable in cash management. The recipient suggested workshops on cash management, budgeting, good spending habits, and personal finances. These programs will help recipients to be more efficient in fund management, especially for those who do not tend to manage their funds and expenses as reflected in the study. By conducting such programs, the university would perhaps empower students to manage their funds efficiently.

Conclusions

The findings of this study indicated that the recipients do practice good spending habits where expenditures are focused on the relevant needs to ensure a student's well-being. This study further indicated that the recipients are financially literate as more than 80% practice simple budgeting and monitoring expenditures and understand the importance of spending within their means. This showed that when students understand the basics of money management, they are more likely to make wise financial decisions. Strong parental and peer influence amongst the recipients could be seen as the cause of the positive effects on their spending behaviour as a majority agree on these exposures in their daily lives. More than 90% of the respondents agreed that the Zakat assistance helps to ease their financial burden and to some extent helps in removing the effect of financial stress, allowing a more focused mindset on learning. Respondents' feedback relating to programs that are relevant to improving their level of financial literacy and cash management skills, indicates that there is a need for the university to provide some formal financial and cash management education to give the students the tools they need to manage their limited money and zakat funds wisely. This is especially useful to those who do not practice good spending habits or do not have the influential support to make well-informed financial decisions as reflected in the findings of this study. This effort may result in an overall healthy financial well-being of the recipients both during and after their academic endeavors and, at the same time, assuring the funding unit that the funds given are effectively managed and utilized.

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