

## **THE INFLUENCE OF ATTITUDE, REFERENCE GROUP AND TAX REBATE ON ZAKAT COMPLIANCE BEHAVIOR ON SAVINGS**

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### **ABSTRACT**

The collection of zakat on savings is vital in the development of Muslims society in Malaysia. It contributes significantly into zakat collection as the third largest zakat collection after the collection of zakat on employment income and zakat on business. There are limited study was conducted to explain the factors that influence zakat compliance behavior on savings in addressing the problem of zakat collection on savings. Therefore, the objective of this study is to examine the significant factors that influence zakat compliance behavior on savings. This study issued three independent variables which are attitude, reference group and tax rebate towards zakat compliance behavior on savings. From the analysis of this study, it indicates that attitude, reference group and tax rebate were positive and significantly influence zakat compliance behavior on savings. Result also showed that the most important factors was reference group and followed by attitude and tax rebate. This study also highlighted on the implication toward zakat institutions and suggestions for future research.

**Keywords:** Attitude, Reference Group, Tax Rebate, Zakat on Saving

### **INTRODUCTION**

The payment of zakat (Islamic taxation) is among the third pillars of Islam. Zakat is defined as sum of money or kind taken from specific types of wealth when they arrive at a specific level of requirement at a certain period of time that should be given to the specific group of people in specific ways (Zulkifli, 2011). The objective of paying zakat is also to purify the wealth of zakat payers. It is mentioned clearly in Al-Quran, for example, Allah says (Ali, 1994):

“Of their goods, take alms, that so thou mightiest purify and sanctify them; and pray on their behalf. Verily thy prayers are a source of security for them: And Allah is One Who hearth and

knoweth” (Surah At- Taubah: 103).

Zakat can be categorized into two namely zakat fitrah and zakat on wealth. Zakat fitrah is compulsory to be paid by an individual, but zakat on wealth should be paid if the individual fulfilled the nisab and haul requirement. There are several types of zakat on wealth which are zakat on employment income, business, savings, gold and silver, bonds, crops and agriculture, Employees Provident Fund (EPF) and natural resources. This study focuses only zakat on saving. Thus, individual is obliged to pay zakat on saving when the amount of money kept either in the form of cash in hand or kept in bank as savings or investment reach the amount of nisab of current value of gold (85 gm) or silver (595 gm) and meet the haul condition of one year (354 days).

The important of zakat collection towards the Muslims society cannot be argued anymore. It will reduce the gap between the rich and the poor since it is paid from the rich person who have surplus to the poor. In the perspective of economic, it will increase purchasing power among the muslim society who are poor because they are affordable to fulfilled their needs and wants (Ahmad, 1977). Currently, there are many studies were conducted to investigate the factors that influence zakat compliance behavior (Farah Mastura & Zainol, 2015; Heikal, Khaddafi, & Falahuddin, 2014; Huda, Rini, Mardoni, & Putra, 2012; Mohd Rahim, Ariffin, & Abd Samad, 2011; Sanep, Nor Ghani, & Zulkiffli, 2011; Yusuf, Mohd Sholeh, Mohd Shahid Azim, & Siti Hafsa, 2017; Zainol, Kamil, & Faridahwati, 2009). The aim of these studies was to increase the amount of zakat collection and attract more zakat payers to pay zakat directly to zakat institutions. The low collection of zakat on wealth is due to the low compliance behavior among Muslim. This issue should be resolved in order to retain the same amount of zakat collection. It is also will reduce the gap between the estimated zakat collection and the current level of zakat compliance behavior among Muslims society in Malaysia. There are many literatures focus on zakat on employment income (Nur Barizah & Hafiz Majdi, 2010; Raedah, Noormala, & Marziana, 2011; Yusuf et al., 2017; Zainol et al., 2009) and zakat on business (Heikal et al., 2014; Mohd Rahim et al., 2011; Ram Al Jaffri, Kamil, & Zainol, 2009), however limited study had been done in the context of zakat on savings. Thus, this study was conducted to examine the factors that influenced zakat compliance behavior on savings among individual Muslims employees who are working at the public and private sectors in Kedah.

## **LITERATURES REVIEW AND HYPOTHESES**

### **Attitude and Zakat Compliance Behavior on Savings**

Attitude towards behavior is defined as the level of which an individual has positive or negative judgments on that behavior (Ajzen, 1991). The feedback resulting from the behavior is based on the expectations and beliefs on the personal impression that arise. Ajzen (1991) also mentioned that, attitude towards behavior will show the evaluations of that behavior and its outcome. Therefore, it is also called as behavioral belief.

Previous study found a positive and significantly influence on the link between attitude and zakat compliance behavior on savings, but the scope is smaller because only consider the staffs in Universiti Utara Malaysia (Farah Mastura & Zainol, 2015). Therefore, this study will investigate further this relationship by considering the respondents from public and private sectors. In the context of zakat on employment income, previous studies also found a positive and significant influence on the link between attitude and zakat payment (Raedah et al., 2011; Zainol et al., 2009). Similar result was found on the relationship between attitude and intention to pay zakat on business (Heikal et al., 2014). Another study that applied theory of planned behavior also found the same finding when examining zakat payer intention to pay zakat on wealth among zakat payers in Jakarta (Huda et al., 2012). Based on the results highlighted by previous literatures this study suggested a positive and significant influence on the link between attitude and zakat compliance behavior on savings.

### **Reference Group and Zakat Compliance Behavior on Savings**

In the theory of planned behavior, subjective norms are known as the individual's perceptions of the social pressures in conducting or opposing to the behavior (Ajzen, 1991). It is another type of belief which is normative belief. It deals with the belief towards the person who is essential in his or her life such as family, peer, spouse, teachers, employer and any person who is close to the individual. The essential person in someone's life is known as reference group. The execution of the significant behavior is depending on the reference group, if the reference group feels that it is important to perform the behavior, an individual might perform the behavior. An individual will search for encouragement, opinion or advice that acts as the

motivation to comply with the desired behavior (Zainol et al., 2009).

In the context of zakat on savings, Farah Mastura and Zainol (2015) found a positive and significant relationship between reference group and zakat compliance behavior on savings, but the respondents involved in the study is only employees working at Universiti Utara Malaysia and the sample size is small. In other area of zakat compliance, previous studies found a positive relationship between reference group and the payment of zakat (Heikal et al., 2014; Yusuf et al., 2017; Zainol et al., 2009). In the tax compliance area, literatures also found a significant relationship on the link between reference group and tax compliance behavior (Mohd Rizal & Ahmad Fariq, 2011; Natrah, 2009; Zainol & Faridahwati, 2013). Based on these empirical finding, this study suggested a positive and significant influence on the link between reference group and zakat compliance behavior on savings.

#### **Tax Rebate and Zakat Compliance Behavior on Savings**

Tax rebate is an incentive given by the government to draw interest among zakat payers in paying zakat. Sum of money is subtracted from the total amount of the taxable income when zakat payer shows the receipts of zakat payment. In the area of zakat on employment income, Yusuf et al. (2017) investigated the factors that influence zakat payment by using the qualitative method. Result of their study found that tax rebate is one of the important determinants in paying zakat. Another study also put emphasize on tax rebate in zakat payment, but no further analysis was conducted to investigate the relationship between tax rebate and zakat compliance (Nur Barizah & Hafiz Majdi, 2010).

Other literatures in the area of zakat on business also mentioned that tax rebate is among the main influence in complying with zakat payment (Adibah & Joni, 2014). Similarly, Ram Al Jaffri (2010) also found that tax rebate significantly influence the intention to pay zakat on business by using theory of planned behavior.

The results of previous studies showed that an individual can be influenced to perform the desired behavior if they think that the inducement given is beneficial for them in executing the behavior. Thus, this study proposed that tax rebate will positively influence zakat compliance behavior on savings.

*H<sub>1</sub>: Attitude will positively influence zakat compliance behavior on savings.*

*H<sub>2</sub>: Referent group will positively influence attitude toward zakat compliance behavior on savings.*

*H<sub>3</sub>: Tax rebate will positively influence zakat compliance behavior on savings.*

The proposed research framework is illustrated as follows:

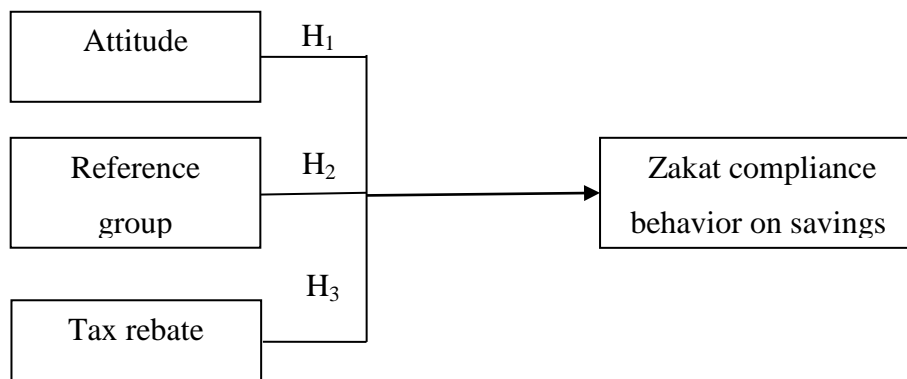


Figure 1: Proposed research framework

## METHODS

This study was a cross sectional study because data was collected at one time. The population in this study is all Muslim employees who working at public and private sectors organizations in Kedah. Unit of analysis is individual Muslim employee. The respondent involved was only the person who is legally responsible to pay monthly tax deduction scheme (MTD). Lembaga Hasil Dalam Negeri (2013) stated that an individual is required to pay income tax when the amount reach RM33 000 annually and above. However, the requirement of nisab for the person obliged to pay zakat is around RM11 499 in a year (Lembaga Zakat Negeri Kedah, 2014). This clearly indicates that individual who is liable to pay income tax is also responsible to pay zakat. Besides, the employees might keep some of the amount from the monthly salary received as their savings in the future. They are obliged to pay zakat on savings when the total amount fulfilled the condition of haul and nisab.

It was not feasible to collect the data from all the respondents. Thus, cluster sampling was chosen. It is suggested to perform cluster sampling when across the groups they share similar characteristics and within the groups they are difference (Sekaran & Bougie, 2012). In this study, the respondents who are working at the public and private sectors possess similar characteristics because they are subject to MTD while the differences across the groups are in

terms of the policies and income schemes applied for them. Then, questionnaires were distributed to the respondents randomly at the 30 chosen public and private organizations.

Self-administrative questionnaire was used as the medium of instrument in the data collection. It is preferred in this study because it was answered directly by the selected respondents that have savings and information gather is more valuable. There are two sections in the questionnaires. The first sections contains the demographic information of respondents and the second sections is contains the information on all the variables. Respondents were asked to state their agreement or disagreement on a 5 points scale, ranging from “1” which means strongly disagree to “5” as a strongly agree.

## **RESULTS**

### ***Data Analysis:***

This section presents the results of this study. At first, this study describes on the general information of the respondents and variables. Next, the result of reliability and validity analysis were presented. Finally, the factors that influence zakat compliance behavior on savings from the viewpoints of attitude, referent group and tax rebate were showed.

#### **Descriptive analysis:**

A total of 600 questionnaires were distributed to the employees who are working at public and private sectors in Kedah. However, only 377 questionnaires were returned and 280 questionnaires can be used for further analysis. The respondents consist of 53% female and 47% male. Most of the respondents were in the range of 31-40 years old (37%) while the other respondents were in the range of 20-30 years old (11%) 41-50 years old (28%), and 51 years old and above (24%). Majority of the respondents have an income in the range of RM3000-RM6000 (85%). Other respondents were in the range of RM6001-RM9000 (11%) and RM9001 and above (4%).

### ***Reliability analysis:***

Reliability coefficients for all the variables involved were analyzed. The values were determined based on reliability analysis. It was performed to certify the consistency of the items applied in this study. The value for all the variables namely attitude, reference group, tax rebate, and zakat compliance behavior on savings were 0.91, 0.94, 0.87 and 0.86

accordingly. All the variables indicates the values which were greater than 0.70, show that these are good (Hair, Black, Babin, & Anderson, 2010).

**Factor Analysis:**

Factor analysis was performed for all the variables of attitude, reference group, tax rebate, and zakat compliance behavior on savings in order to ensure that these variables were a different construct. All of the items used principle component analysis with varimax rotation. Kaiser-Meyer-Olkin (KMO) values presented for attitude, reference group, tax rebate, and zakat compliance behavior on savings were 0.85, 0.84, 0.81, and 0.71 accordingly. The results showed that the values were greater than the suggested value of 0.70 (Hair, Anderson, Tatham, & Black, 1998). Factor analysis is also suggested to be conducted when the results of Barlett’s Test of Sphericity for all the variables were statistically significant at 0.000 levels. The results showed that these variables were a different construct. It is also a unidimensional construct since the items loaded only on the single factor.

**Multiple regression analysis:**

Multiple regressions analysis was conducted to analyze the link on the independent variables and dependent variables (refer Table 1). The R<sup>2</sup> value of the regression model presents that all the variables predict 24% of the variance in zakat compliance behavior on savings, while the remaining of 76% can be predicted by other variables. Based on the results of multiple regression analysis, attitude (t = 3.115, p < 0.01), reference group (t = 3.143, p < 0.01) and tax rebate (t = 3.220, p < 0.01) were found to be positive and significantly influence zakat compliance behavior on savings. Besides, the most important factor that influences zakat compliance behavior on savings is reference group because it obtained the highest beta value (0.229). Thus, this present study accepts the previous hypothesis of H1, H2, and H3.

**Table 1**  
*Results of multiple regression analysis*

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	3.712	1.498		2.478	.014
Attitude	.193	.062	.222	0.002	.002*
Reference group	.255	.081	.229	0.002	.002*

Tax rebate	.138	.043	.178	0.001	.001*
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Notes: \*  $p < 0.01$

Adjusted  $R^2 = 0.244$ ,  $F - \text{statistics} = 31.053$ , Sig at 0.000

## DISCUSSION

This study was performed to examine the factors that influence zakat compliance behavior on savings among individual Muslim employees. There were three suggested independent variables which were attitude, reference group and tax rebate in understanding zakat payers' compliance behavior on zakat on savings. Previous study also examine the relationship between attitude and reference group towards zakat compliance behavior on savings (Farah Mastura & Zainol, 2015). The sample size involved only the employee working at Universiti Utara Malaysia, while this study focus on the wider perspective by including also the respondents from the public and private sectors organizations in Kedah. This study also added another variable which are tax rebate in better understanding zakat payers compliance behavior when there is incentives given by the government.

Results of this study showed that that all the proposed variables were positive and significantly influences zakat compliance behavior on savings. At first, attitude found to have a significant relationship towards zakat compliance behavior on savings. The positive relationship implies that the employees who have the positive views in paying zakat on savings will commit in paying zakat. This result was parallel with previous studies that investigate this relationship in zakat on savings (Farah Mastura & Zainol, 2015) and other studies in the area of zakat on employment income (Raedah et al., 2011; Zainol et al., 2009) and zakat on business (Heikal et al., 2014). Therefore, zakat institutions should disseminate more information regarding zakat like the information on distributing zakat collection, benefits of paying zakat or as remainder of zakat payment through mobile phone, media or social media to shape the positive attitude among zakat payers that lead to zakat payment in the future.

The next variable which is referent group also found to have a positive and significant influence towards zakat compliance behavior on savings. This showed that the employees always seek for encouragement, advice or any suggestion from the reference group regarding the payment of zakat on savings. The result was congruent with previous studies that also



examined on this relationship in zakat on savings (Farah Mastura & Zainol, 2015) and other context of zakat compliance (Sanep et al., 2011; Zainol et al., 2009). This study also proved that this variable really crucial in identifying the factors that influence zakat compliance behavior on saving since it become the most important factors compared to other variables. Thus, it is suggested zakat institutions to become more alert on the feedback given by the society regarding zakat matters because zakat payers will seek their opinion or suggestion in paying zakat in the future.

Besides, result of this study also illustrates that tax rebate to have a positive and significant influence on zakat compliance behavior on savings. This finding also similar with previous study reported in the context of zakat on business (Ram Al Jaffri, 2010). The result shows that employees concern on the incentives given by the government in reducing the obligation of paying income tax. This result shows that zakat institutions can find out other ways which is in the form of giving incentive to attract zakat payers in paying zakat.

The result of this study also give implications towards zakat institutions because they can plan and organize activities to attract more individuals in complying with zakat payment on savings based on the significant factors highlighted before. As a result, it will lead to the increasing of zakat collection in the future.

There are some limitations in this study. This study only considered zakat payers who are working at the public and private organizations in Kedah. Thus, it is suggested that future research to extend this research in order to generalize to the wider population that may include also other states in Malaysia. Other variables also should be examined for the remaining unexplained variables.

## CONCLUSION

This study showed that the result presented were similar with the previous studies in explaining zakat compliance behavior on savings. This study outlined several suggestions for zakat institutions in order to maintained and increase zakat collections in the future. In conclusion, the important of zakat on savings as the third largest zakat collection cannot be denied because it has contributed a lot to the development of Muslims society as well as to the country as the whole.

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