



ELSEVIER

Available online at www.sciencedirect.com

ScienceDirect

Procedia - Social and Behavioral Sciences 219 (2016) 654 – 659

Procedia
Social and Behavioral Sciences

3rd Global Conference on Business and Social Science-2015, GCBSS-2015, 16-17 December
2015, Kuala Lumpur, Malaysia

Factors Influencing Business Zakah Compliance Behavior among Moslem Businessmen in Malaysia: A Research Model

Ram Al Jaffri Saad^{a*}, Muhammad Syahir Abdul Wahab^a, Mohd. Amir Mat Samsudin^a

^a*School of Accountancy, Universiti Utara Malaysia, 06010 Sintok, Malaysia*

Abstract

This paper aims to propose a research model for examining the influence of internal and external factors on Business Zakah compliance behavior among businessmen in Malaysia. An extensive literature review method was utilized to identify and analyze the relevant literatures in order to propose the model. This paper identified two internal and two external factors of the compliance behavior. The internal factors are knowledge and self-efficacy while service quality and interaction are the external factors. Theoretical and practical implications of the paper as well as suggestions for future research were also discussed.

© 2016 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of the Organizing Committee of the 3rd GCBSS-2015

Keywords: Business Zakah compliance behavior; knowledge, self-efficacy, service quality, interaction; Moslems businessmen.

1. Introduction

Zakah is one of the five pillars in Islamic faith. It is also known as a religious levy or almsgiving. A person who paying Zakah not primarily doing a favor to the recipient but also meeting a claim on himself by purifying wealth (Gambling & Karim, 1986). The Quran (the Holy Book which Moslems believe to have been divinely revealed to the Prophet, at various times and places), Surah At-Taubah verse 103 states that so unlike taxes, Zakah has spiritual connotations (Al Quran dan Terjemahannya, 2000). Since the days of the Prophet (peace be upon him), Zakah has played an important role for Moslems socio-economy development throughout the world. Similarly, Zakah has been

* Corresponding author. Tel.: +6-0195681574

E-mail address: ram@uum.edu.my

utilized to improve standard of living and economic developments of Moslems in Malaysia. Thus, the continuous increment of Zakah fund is critical to ensure its role as ‘community development agent’ can be further strengthened.

Zakah institutions in Malaysia have taken various actions to increase Zakah fund. Specifically, the main focus of the actions is to encourage eligible Moslems to discharge their Zakah obligation. The actions taken include corporatization of Zakah Collection and Distribution Center, increase promotional activities and provide various Zakah payment facilities such as remittance, money order, bank draft and bank standing instruction. Recently, Zakah can also be paid via short messaging system (SMS).

Considering the above efforts, it is expected that Zakah payment would increase among Moslems in Malaysia. However, recent evidence indicates that payment of Business Zakah to its institutions among eligible Moslem businessmen in the country is still low (Ahmad Radzuan, 2009; Halizah, Kasumalinda & Agoos Munalis, 2011). For instance, although Federal Territory recorded the highest collection of Zakah in Malaysia, only 1.7% or 747 eligible businessmen paid the Zakah in 2008. In addition, not more than 2.2% of them in states of Penang and Johor discharged the obligation in the same year. In short, low compliance behavior on Business Zakah is evident in the country (Halizah et al., 2011). Despite various factors that influence individuals’ compliance behaviors have been reported in a variety of contexts (for examples, taxation, information technology, marketing and tourism) (Alabede, Ariffin & Md Idris, 2011; Elliott, Armitage, & Baughan, 2003; Palil & Mustapha, 2011; Verboon & Dijke, 2007), research models that address this issue from the Zakah context is still limited. Thus, the purpose of this paper is to propose a research model for examining the influence of internal and external factors on Business Zakah compliance behavior among Moslem businessmen in Malaysia. The research model can be applied to further explain the issue in future.

The paper is structured as follows; Section 2 highlights the pertinent concepts and hypotheses development related to this paper. Following this, the proposed research model is illustrated. The paper ends with conclusions, implications and suggestion for further research.

2. Literature Review and Hypotheses Development

2.1 Business Zakah Compliance Behavior

Zakah is levied on money, investments (for income generation), animals, agriculture, trade and business (Gambling & Karim, 1986). Zakah on business income which is the focus of this paper is levied on the business net asset at the rate of 2.5 percent (Kedah Zakah Department, 2008). All types of Zakah are mandatory on eligible Moslems as the act of worship to the God. The obligation is not enforced in the most countries. This means that if a Moslem chooses to defy such obligation, then the individual will be personally held responsible for the act and will be punished in the hereafter for disobeying the God’s law. However, in some Moslem dominated countries such as in Saudi Arabia, Pakistan and Malaysia, Zakah law has been enacted to enforce the God’s law. Such law provides authority to Zakah institutions to collect the obligation in a more systematic way.

In Malaysia, each state and federal territory has its own Zakah institution. The institution is under jurisdiction of the respective state government (Abu Bakar, 2007). For federal territories, Zakah institutions are under jurisdiction of the federal government (Abu Bakar, 2007). Failure to pay any of the Zakah obligations would expose individuals to fine and imprisonment. For example, state of Kedah’s Zakat Enactment (1998) states that a fine not exceeding MYR600 (US\$272) and imprisonment not more than six months will be imposed if a Moslem is convicted of avoiding the obligation or transferring the asset in order to evade such obligation. Furthermore, the obligation must be paid in accordance with the rules set out in the Moslem code of law (or Sharia) (Gambling & Karim, 1986) and through its institutions. Failure to do so a Moslem is subject to the above mentioned punishments (Kedah Zakat Enactment, 1998)

However, it is interesting to highlight that eligible Moslems can pay their Zakah obligation directly to any of the eight recipients. As specified in The Quran, Surah At-Taubah verse 60 “Zakat is for the poor and the needy and those who are employed to administer and collect it, and for those whose hearts are to be won over, and for the freeing of human beings from bondage, and for those who are overburdened with debts and for every struggle in God’s cause, and for the wayfarers: this is a duty ordained by God, and God is the All-Knowing, the Wise” (Al Quran dan Terjemahannya, 2000). Although such behavior does not entail punishments in the hereafter, it breaches the Zakah law. Given such situation, Business Zakah compliance behavior in this paper refers to payment of Zakah on business income in accordance with the Moslem code of law (or Sharia) to the institutions among the businessmen.

2.2 Hypotheses Development

Most of prior compliance behavior studies were discussed in taxation, information technology, marketing and tourism contexts (Alabede et al., 2011; Elliott et al., 2003; Organization for Economic Co-operation and Development [OECD], 2010; Palil & Mustapha, 2011; Verboon & Dijke, 2007). Based on review of the relevant literatures, this paper suggests two internal and two external factors of Business Zakah compliance behavior. The internal factors are knowledge and self-efficacy while service quality and interaction are the external factors (Bobek & Hatfield, 2003; Jackson & Miliron, 1986; OECD, 2010). The following subsections develop research hypotheses of the factors on the Zakah compliance behavior.

2.2.1 Internal Factors and Business Zakah Compliance Behavior

Internal factors of this paper refer to factors inside a businessman that influence his or her Business Zakah compliance behavior. The proposed factors are knowledge and self-efficacy (Bobek & Hatfield, 2003; Jackson & Miliron, 1986; OECD, 2010).

2.2.1.1 Knowledge

Goldstein (1993) defines knowledge as the basic foundation of the information a person needs to perform a task. Thus, in this study knowledge refers to the basic foundation of the information about Zakah a businessman needs in order to pay the Zakah. The information includes Zakah terms and conditions, Zakah calculation, Zakah recipients and Zakah legal system (Mohd. Safri, 2006).

Prior literature suggested that knowledge is a pre-requisite to perform a compliance behavior (Koufaris, 2002; Sutinen & Kuperan, 1999). Scholars such as Fallan (1999), Hungerford and Yolk (1990), and Palil and Mustapha (2011) reported that the level of knowledge about tax system influenced tax compliance behavior. Prior Zakah studies also found a significant relationship between religious knowledge and Zakah on Employment Income (Kamil, 2002; Kamil et al., 2006; Mohd. Ali, Hairunnizam & Nor Ghani, 2004; Zainol, 2008). Based on the above discussion, it is expected that a businessman who has a high degree of knowledge about Zakah is more likely to pay the Zakah and vice versa. Thus, the following hypothesis is proposed:

H₁ Knowledge will have a positive influence on Business Zakah compliance behavior.

2.2.1.2 Self-Efficacy

Self-efficacy is personal judgments of one's capabilities to organize and execute courses of action to attain designated goals (Bandura, 1986). Ajzen (1991) views self-efficacy as a person's level of confidence to act and it is related to the ability of a person to do things. The ability can be seen from several aspects such as the level of easiness or difficulty of the action and the level of confidence of a person to commit a particular behavior (Ajzen, 2005). From the Zakah perspective, self-efficacy refers to businessmen's ability, confidence and certainty about the Zakah payment. The businessmen should possess this personal value since current business environment is complex. Such complexity requires them to have ability, confidence and certainty about the calculation and amount of the Zakah obligation (Mohd. Safri, 2006).

Self-efficacy has been reported in many studies as one of the important factors that influence individuals' behaviors (Ajzen, 1991). Pavlou and Fygenson (2006) found that self-efficacy had a positive relationship towards online purchasing behavior. Hagger and Chatzisarantis (2005), and Rhodes and Courneya (2003) reported the same influence of the factor on weight loss and self-exercise behavior. Prior information technology literature also highlighted a positive relationship between self-efficacy and technology adoption behavior (Bolt, Killough & Koh, 2001; Taylor & Todd, 1995). Based on the above arguments, this paper assumes that the greater a businessmen's self-efficacy, the more likely he or she will pay the Zakah and vice versa. Thus, the hypothesis formulated is:

H₂ Self-efficacy will have a positive influence on Business Zakah compliance behavior.

2.2.2 External Factors and Business Zakah Compliance Behavior

In this paper, external factors are environmental factors that influence one's Business Zakah compliance behavior. The suggested environmental factors are service quality and interaction (Bobek & Hatfield, 2003; Jackson & Miliron, 1986; OECD, 2010).

2.2.2.1 Service Quality

Service quality of Zakah institutions is one of the critical factors that can encourage the businessmen to pay the Zakah. Parasuraman, Zeitham and Berry et al. (1985) suggest that a quality service meets the customers' expectations towards the service. This suggestion is consistent with disconfirmation theory by Bitner (1990). Thus, in this paper, services offered by Zakah institutions are perceived have quality if they meet the expectation of the businessmen.

Cronin and Taylor (1992) reported that perceived service quality was positively correlated with repurchase behavior. It was also found that friendly treatment by the tax office in the auditing processes increased tax compliance behavior (Feld & Frey, 2007). Studies in marketing (Zeithaml & Berry, 1996), information technology (Devaraj, Fan & Kohli, 2002) and tourism contexts (Gotlieb, Grewal & Brown, 1994) also recognized the importance of this factor in influencing individuals' behavior. In congruence with the above discussion, it is assumed that service quality of Zakah institutions will determine the Zakah compliance behavior. Thus, the proposed hypothesis is:

H₃ Service quality will have a positive influence on Business Zakah compliance behavior.

2.2.2.2 Interaction

In this paper, interaction is viewed as frequency of interaction between the businessmen and Zakah institutions. The interaction is a platform to enhance the awareness on the Zakah obligation among the businessmen. It also facilitates knowledge sharing and cooperation between both parties in terms of the Zakah administration and calculation (Alm, Martinez-Vazquez, & Schneider, 2004). In short, the interaction is important to reduce psychological barriers among the businessmen (Zand, 1972).

Prior studies in taxation context found that frequency of interaction between tax authorities and tax payers led to a greater tax compliance behavior since it facilitates communication and cooperation between them (Kirchler, Niemirowski, & Wearing, 2006; Murphy, 2004a, 2004b). Consistent with the above arguments, it is expected that frequency of interaction between the businessmen and Zakah institutions would contribute to a greater Business Zakah compliance behavior and vice versa. Therefore, the following hypothesis is offered:

H₄ Interaction will have a positive influence on Business Zakah compliance behavior.

3. Research Model

Since prior compliance behavior literature in other contexts such as taxation, information technology, marketing and tourism consistently suggested that the internal (Knowledge and Self-Efficacy) and external (Service Quality and Interaction) factors can influence one's compliance behavior (Alabede et al., 2011; Elliott et al., 2003; OECD, 2010; Palil & Mustapha, 2011; Verboon & Dijke, 2007), this paper also expects that those factors can be applied to explain the Zakah compliance behavior. This paper is the first attempt to apply those predictors in the Zakah context. Figure 1 illustrates the proposed model and expected relationship between independent and dependent variables of this paper.

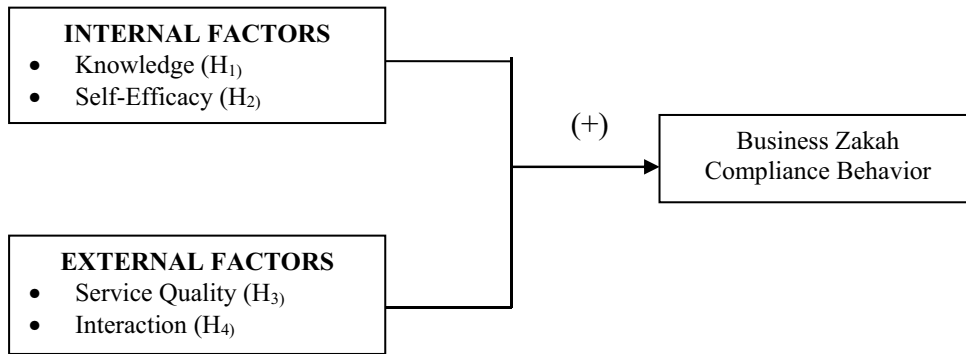


Figure 1: Research Model of Business Zakah Compliance Behavior

4. Conclusion, Implication And Future Research

The purpose of this paper was to propose a research model of factors influencing Business Zakah compliance behavior. Review of the relevant literatures indicated that knowledge and self-efficacy are the expected internal factors that influence the behavior. Meanwhile, the identified external factors to such behavior are service quality and interaction.

This paper has several implications to theory and practice. The theoretical implication of this paper is it integrates prior compliance behavior literatures in taxation, information technology, marketing and tourism to explain the Zakah compliance behavior among the businessmen in Malaysia. Another theoretical implication is the proposed research model can be applied to conduct further research on this issue.

The practical implication is information about the influencing factors can be utilized by Zakah institutions to encourage eligible Moslem businessmen to discharge the Zakah obligation. This in turn, would increase Zakah fund in the near future. This paper is conceptual in nature, therefore, no empirical evidence is provided. Further research could validate and examine the predictive power of the proposed model using mail survey approach. This approach is considered more appropriate compared to other approaches (for instance, case study) due to issues such as convenience, cost, time and accessibility (Dwivedi, 2005; Fowler, 2009; Gilbert, 2001). The research model only proposes four predictors of the compliance behavior. Thus, future research can include other additional internal and external factors such as one's attitude towards Business Zakah and enforcement by Zakah institutions respectively.

References

- Abdul-Rahim, A. R. (2002). Zakat accounting, creating business wealth. *Akauntan Nasional*, 11-16.
- Abu Bakar, N. B. (2007). A Zakah Accounting Standard (ZAS) for Malaysian companies. *American Journal of Islamic Social Sciences*, 24(4), 74-92.
- Ahmad Radzuan, G. (2009). Kesan tahap keagamaan dan akauntabiliti peribadi terhadap niat membayar zakat perniagaan di kalangan kontraktor perniagaan tunggal Pulau Pinang, Unpublished Masters dissertation, Universiti Sains Malaysia, Malaysia.
- Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Process*, 50(2), 179-211.
- Ajzen, I. (2005). *Attitudes, personality and behavior* (2nd ed.). New York USA: Open University Press.
- Al Quran dan Terjemahannya*. (2000). Terjemahan Yayasan Penyelenggara Perterjemah/Pentafsir Al Quran ed. Mujamma' Khadim al Haramain asy Syarifain al Malik Fahd li thiba'at al Mush-haf asy Syarif, Medinah Munawwarah: Cetakan asal diterbitkan pada 1971.
- Alabede, J. O., Ariffin, Z. Z., & Md. Idris, K. (2011). Individual taxpayers' attitude and compliance behaviour in Nigeria: The moderating role of financial condition and risk preference. *Journal of Accounting and Taxation*, 3(5), 91-104.
- Alm, J., Martinez-Vazquez, J., & Schneider, F. (2004). "Sizing" the problem of the hard-to tax. In J. Alm, J. Martinez-Vazquez and S. Wallace (Eds.), *Taxing the Hard-to Tax. Lesson from Theory and Practice* (pp. 11-75). Amsterdam, Elsevier.
- Bandura, A. (1986). *Social Foundations of Thought and Action: A Social Cognitive Theory*: Prentice-Hall. Eaglewood Cliffs, NJ.
- Bitner, M. J. (1990). Evaluating service encounters: The effects of physical surroundings and employee responses. *Journal of Marketing Research*,

- 54(2), 69-82.
- Bobek, D. D., & Hatfield, R. C. (2003). An investigation of the theory of planned behaviour and the role of moral obligation in tax compliance. *Behavioural Research in Accounting*, 15, 13-38.
- Bolt, M., Killough, L., & Koh, H. (2001). Testing the interaction effects of task complexity in computer training using the social cognitive model. *Decision Sciences*, 32(1), 1-19.
- Cronin, J. J., & Taylor, S. A. (1992). Measuring service quality: Reexamination and extension. *Journal of Marketing*, 56(3), 55-68.
- Devaraj, S., Fan, M., & Kohli, R. (2002). Antecedents of B2C channel satisfaction and preference: Validating e-commerce metrics. *Information Systems Research*, 13(3), 316-333.
- Dwivedi, Y. K. (2005). *Adoption, usage and impact of broadband: UK households* (Unpublished doctoral dissertation). Brunel University, UK.
- Elliott, M. A., Armitage, C. J., & Baughan, C. J. (2003). Drivers' compliance with speed limits: An application of the theory of planned behavior. *Journal of Applied Psychology*, 88(5): 964-972.
- Fallan, L. (1999). Gender, exposure to tax knowledge and attitudes towards taxation: An experimental approach, *Journal of Business Ethics*, 18(2), 173-184.
- Feld, L. P., & Frey, B. S. (2007). Tax Compliance as the result of a psychological tax contract: The role of incentives and responsive regulation. *Law & Policy*, 29(1), 102-120.
- Fowler, F. J. Jr. (2009). *Survey research method*. London: SAGE Publications.
- Gambling, T. E., & Karim, R. A. A. (1986). Islam and social accounting. *Journal of Business Finance & Accounting*, 13(1), 39-50.
- Gilbert, N. (2001). *Researching social life*. London: Sage Publications.
- Goldstein, I. (1993). *Training in organizations* (3rd Ed.). Belmont, CA: Wadsworth.
- Gotlieb, J. B., Grewal, D., & Brown, S. W. (1994). Consumer satisfaction and perceived quality: Complementary or divergent constructs? *Journal of Applied Psychology*, 79(6), 875-885.
- Hagger, M. S., & Chatzisarantis, N. L. D. (2005). First- and higher-order models of attitudes, normative influence, and perceived behavioural control in the theory of planned behaviour. *British Journal of Social Psychology*, 44(4), 513-535.
- Halizah, M.A, Kasumalinda, A., & Agoos Munalis, T.,(2011). Factors influence company towards zakat payment: An explanatory studies. In *2nd International Conference On Business And Economic Research (2nd ICBER 2011)*, Langkawi, Kedah.
- Hungerford, H. R., & Yolck, T. L. (1990). Changing learner behavior through environmental education. *The Journal of Environmental Education*, 21(3), 8-21.
- Jackson, B. R., & Milliron, V. C. (1986). Tax compliance research: Findings, problems and prospects. *Journal of Accounting Literature*, 5: 125-165.
- Kamil, M. I. (2002). *Gelagat kepatuhan zakat gaji di kalangan kakitangan awam persekutuan negeri Kedah ("Zakat on employment income compliance behaviour among Kedah federation of public employees")*, Unpublished doctoral dissertation, University Utara Malaysia, Kedah, Malaysia.
- Kamil, M. I., Ayoib, C. A., Zainol, B., Shaipah, A. W. N., Afza, A. N., & Haslinda, H. (2006). *Gelagat Kepatuhan Zakat Pendapatan Penggajian Di Malaysia*. Manuskrip projek IRPA tidak diterbitkan, Universiti Utara Malaysia, Sintok, Jitra, Malaysia.
- Kedah Zakah Department. (2008). Dicapai pada Ogos 4, 2008, daripada <http://www.zakatkedah.com/perniagaan.asp>
- Kedah's Zakat Enactment (1998), Jabatan Zakat Negeri Kedah (Kedah Zakat Department), Alor Setar, Kedah, Malaysia.
- Kirchler, E., Niemirowski, A., & Wearing, A. (2006). Shared subjective views, intent to cooperate and tax compliance: Similarities between Australian taxpayers and tax officers. *Journal of Economic Psychology*, 27(4), 502-517.
- Koufaris, M. (2002). Applying the acceptance technology model and flow theory to online consumer behavior. *Information Systems Research*, 13(2), 205-223.
- Mohd. Ali, M. N., Hairunnizam, W., & Nor Ghani, M. N. (2004). Kesedaran membayar zakat pendapatan di kalangan kakitangan profesional Universiti Kebangsaan Malaysia. *Islamiyyat*, 26(2), 59-67.
- Mohd. Safri, M. (2006). Zakat perniagaan: Cabaran pelaksanaan di Malaysia. Dalam I. Abdul-Ghafar & M. T. Hailani (Eds.), *Zakat: Pensiaryatan, Perekonomian dan Perundangan* (pp. 174-197). Bangi, Selangor: Universiti Kebangsaan Malaysia.
- Murphy, K. (2004a). Aggressive tax planning: Differentiating those playing the game from those who don't. *Journal of Economic Psychology*, 25(3): 307-329.
- Murphy, K. (2004b). The role of trust in nurturing compliance: A study of tax avoiders. *Law and Human Behavior*, 28(2): 187-209.
- Organization for Economic Co-operation and Development [OECD]. 2010. Understanding and influencing taxpayers' compliance. Centre for Tax Policy and Administration.
- Palil, M. R., & Mustapha, A. F. (2011). Determinants of tax compliance in Asia: A case of Malaysia. *European Journal of Social Sciences*, 24(1), 7-32.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49(4), 41-50.
- Pavlou, P. A., & Fygenson, M. (2006). Understanding and predicting electronic commerce adoption: An extension of the theory of planned behavior. *MIS Quarterly*, 30(1), 115-143.
- Rhodes, R. E., & Courneya, K. S. (2003). Investigating multiple components of attitude, subjective norm and perceived control: An examination of the theory of planned behaviour in the exercise domain. *British Journal of Social Psychology*, 42(1): 129-146.
- Sutinen, J. G., & Kuperan, K. (1999). A socioeconomic theory of regulatory compliance. *International Journal of Social Economics*, 26(1,2,3), 174-193.
- Taylor, S., & Todd, P. (1995). Decomposition and crossover effects in the theory of planned behavior: A study of consumer adoption intentions. *International Journal of Research in Marketing*, 12(2), 137-155.
- Verboon, P., & Dijke, M.V. (2007). A self-interest analysis of justice and tax compliance: How distributive justice moderates the effect of outcome favorability. *Journal of Economic Psychology*, 28(6), 704-727.
- Zainol, B. (2008). *Faktor-faktor penentu gelagat kepatuhan zakat gaji*. Tesis PhD. tidak diterbitkan, Universiti Utara Malaysia, Sintok.
- Zand, D. E. (1972). Trust and managerial problem solving. *Administrative Science Quarterly*, 17(2), 229-239.
- Zeithaml, V. A., & Berry, L. L. (1996). The behavioral consequences of service quality. *Journal of Marketing*, 60(2), 31-46.