



The Moderating Effect of Islamic Religiosity on Compliance Behavior of Income Zakat in Kedah, Malaysia

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Abstract

The collection of income zakat amongst Muslims who have fulfilled the conditions to pay income zakat in Kedah has remained low despite the fact that a religious decree making it compulsory to pay income zakat was in 1997. Some Muslim public school teachers in the state of Kedah did not pay income zakat to Kedah State Department of Zakat because of the perception that they could pay zakat at any zakat department of any state in Malaysia. Also, they showed a lack of confidence in the ability of Kedah State Department of Zakat to manage and distribute zakat effectively and equitably to asnaf. These issues, among others, motivate this study to examine the determinants of compliance behavior of income zakat among Muslim public school teachers in the state of Kedah. The objective of this study is to examine whether Islamic religiosity moderates the relationship between attitude, subjective norms, perceived behavioral control and moral obligation, and intention to comply with income zakat payment. This study employs bootstrap and blindfolding technique using PLS-SEM software to analyze the data. This study provides evidence that Islamic religiosity is found to play a significant role in moderating the relationship between perceived behavioral control and intention. This study recommends that that Kedah State Board of Zakat plan, strategize and implement an effective intervention by stressing the importance of complying with zakat payment which is a religious obligation to Muslims who have fulfilled the conditions of paying income zakat in general and Muslim teachers in particular, which could change their beliefs about the impact of paying zakat.

Key words Zakat, attitude, perceived behavioral control, Islamic religiosity, moral obligation, compliance behavior

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1. Introduction

The issue of zakatability of income has been a long debatable issue. Muslim scholars worldwide have different opinions with regards to it (Nur Barizah, 2008). However, it has been agreed that income *zakat* is a religious levy on personal income derived from sources or activities where labors are involved which include professional fees, labor compensation, salaries, wages, bonuses, grants, gifts, dividend income and the like (Abu Bakar *et al.*, 2014). The National Fatwa Council agreed upon a consensus on the 22nd June 1997 that income *zakat* is compulsory for every Muslim individual who has fulfilled the conditions of perfect title, *nisab* and *hawl* (Abdul Aziz and Abdullah, 2013).

However, *zakat* collection in Malaysia is still low including income *zakat*. While most of the employees paid income tax which is a legal obligation, they did not comply with *zakat* payment which is a religious obligation (Zainol *et al.*, 2009). According to Raedah *et al.* (2011), the total collection of *zakat*

funds was still far behind compared to the collection of tax by the Inland Revenue Department. The general objective of this study is to examine whether Islamic religiosity moderates the relationship between attitude, subjective norms, perceived behavioral control and moral obligation, and intention to comply with income *zakat* payment by Muslim public school teachers in the state of Kedah.

2. Literature review

Ever since the introduction of the Theory of Planned Behavior (TPB), which is the pioneering work in the study of compliance behavior, studies in various fields such as psychology, medicine as well as social science have used the theory as the underpinning theory. In the field of tax and *zakat* compliance behavior, there have been numerous studies which have tried to test the relationship between attitude towards behavior and intention/compliance, subjective norms and intention/compliance, and perceived behavioral control and intention/compliance or any combinations of the relationships. In addition, there have been studies which have tried to incorporate additional variables such as moral obligation and religiosity in the framework of their studies. However, the empirical evidence so far has shown that there is no conclusive evidence as to which variables are significant. The evidence so far is mixed at best.

Hence, there is a gap in the literature regarding the relationship between attitude and intention and the relationship between attitude and compliance. The evidence so far has demonstrated that there been mixed evidence regarding the relationship between attitude and intention and the relationship between attitude and compliance. Some studies such as Haji-Othman *et al.* (2017), Sapingi *et al.* (2011), Zainol *et al.*, (2013), Ram Al-Jaffri and Roszaini (2014) supported the relationship between attitude and intention. Specifically, Haji-Othman *et al.* (2017) provided evidence that attitude had a significant influence on the intention to pay income *zakat*. However, other studies such as Zainol, Mohd Zainudin, & Farah Mastura (2013) did not support such relationship. Similarly, some studies such as Hite (1988), Niemirowski *et al.* (2003), Ghosh and Crain (1995), Kasipillai and Abdul Jabbar (2006), Marti *et al.* (2010), Loo *et al.* (2010), Randlane (2012), Trivedi *et al.* (2005), Kamil (2002) and Zainol *et al.* (2009) supported the relationship between attitude and compliance behavior. Furthermore, Ayranci (2017) demonstrated that attitudes towards innovativeness have a very strong and positive relationship with perceptions. Therefore, further studies need to be done to provide more conclusive evidence regarding the relationship between attitude and intention as suggested by Ajzen (1991) so that the evidence could be conclusive at present.

Furthermore, the studies so far have shown mixed findings regarding the influence of subjective norms on intention and compliance behavior. Abd Latib *et al.* (2017) found that subjective norms played a significant role in influencing the unethical behavior. Although Ajzen (1991) postulates that subjective norms are expected to influence intention to perform a certain behavior, the evidence is still inconclusive which triggers the need for further reexamination.

In addition, there have been numerous studies so far which has studied perceived behavioral control as one of the constructs explaining the intention to perform the behavior. However, different studies used different dimensions of perceived behavioral control in their studies. Among the dimensions of perceived behavioral control in previous studies are perception towards facility and service quality, knowledge, self-efficacy, perception towards law and enforcement, perception towards equity in distribution, tax rebate and perception towards promotional exposures.

The studies reviewed have proved mixed empirical findings regarding dimensions of perceived behavioral control in a sense that different studies use different dimension with different findings. Self-efficacy, which is one of the dimensions of perceived behavioral control was found to have significant influence on the intention to pay income *zakat* (Haji-Othman *et al.*, 2017). Gresoi *et al.* (2017) demonstrated that optimism, which could be perceived as one of the dimensions of perceived behavioral control, had significant influence on people's decisions. Furthermore, Obara and Nangih (2017) showed that the prevalence of cash transactions which indicated the lack of ability to pay tax had significant influence on tax compliance, hence tax collection which impede government's internal revenue generation. In addition, Rahahle (2017) provided evidence that the competency to pay tax was the highest rank variable in influencing tax compliance. Therefore, the empirical evidence so far which has supported the influence of perceived behavioral control on intention to perform certain behavior have received inconclusive results as to what the dimensions of perceived behavioral control are and whether perceived behavioral control

has any influence on the intention. Furthermore, the influence of moral obligation on intention is still inconclusive because the evidence provided by the studies so far is still mixed at best. Consequently, there exists a need for this study to ascertain the influence of moral obligation on the intention.

The evidence so far has indicated that there has been inconclusive evidence regarding the influence of religiosity on compliance although there is quite strong evidence that religiosity influence people’s life and ethics. There are studies which have provided empirical support for the positive influence of religiosity on compliance (Haji-Othman *et al.*, 2017; Zainol, 2008; Kamil 2012; Mohd Ali *et al.*, 2004; Mohd Rizal *et al.*, 2013; Torgler, 2003; Hairunnizam, 2012). Fisol *et al.* (2017) discussed the importance of Islamic legal opinions which influenced the objectives of Islamic *Shari’ah* and hence, behavior. A study by Ibrahim *et al.*, (2017) found evidence that religiosity played a significant role in influencing compliance behavior. However, other studies such as Kamil, (2002) found that religiosity had a negative influence on *zakat* compliance. Moreover, there are studies which provided evidence that religiosity plays a significant moderating role in influencing the relationship between subjective norm and intention (Ram Al Jaffri, 2010) and intrinsic motivation and tax compliance (Torgler, 2003).

3. Methodology of research

3.1. Research Design

This study employs a quantitative method using a questionnaire to answer research questions and research objectives for the purpose of providing empirical evidence to accept or to reject research hypothesis.

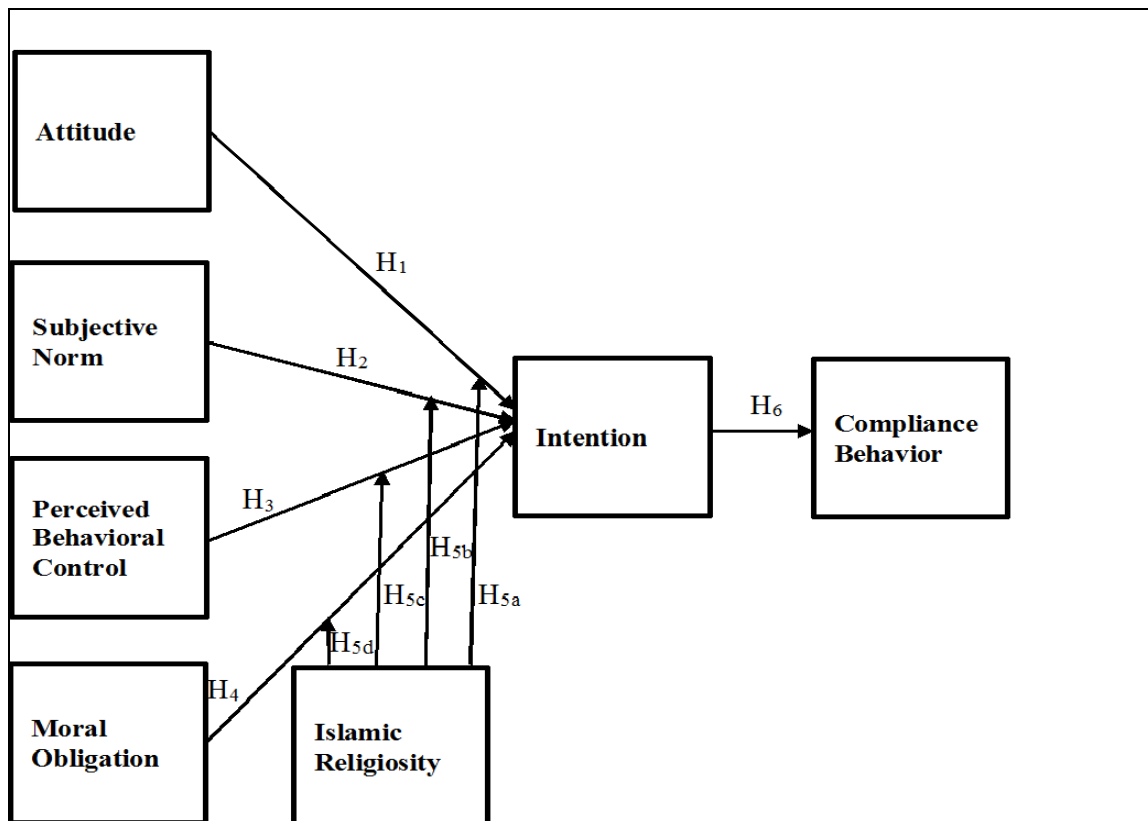


Figure 1. Theoretical Framework of the Study

Source: Adopted from Ajzen (1991), Kamil (2002), Zainol (2008) and Ram Al Jaffri (2010)).

3.2. Population and Sampling

The population of this study is all Muslims public secondary school teachers who are eligible to pay income *zakat* located in the state of Kedah. There are two types of schools in the state of Kedah: primary and secondary schools. However, this study selects only secondary schools. Based on Krejcie and Morgan (1970), if the size of population (N) is 13,089, the sample size is 372.

4. Findings

The findings of this study are illustrated in Table 1.

Table 1. The Analysis of Moderating Variable

Moderating Path	Coefficient	T-statistics	P-Values
Attitude * Islamic Religiosity -> Intention	-0.066	1.130	0.129
Subjective Norm * Islamic Religiosity -> Intention	0.067	1.205	0.114
Perceived Behavioral Control* Islamic Religiosity -> Intention	0.062	1.760	0.040*
Moral Obligation * Islamic Religiosity -> Intention	0.048	0.743	0.229
R ² = 0.570			

Note: *indicates significance at 5% significant level.

Table 1 indicates that Islamic religiosity plays a significant role in moderating the relationships between perceived behavioral control and intention. However, as shown in Table 1, other moderating effects are not significant. This study provides empirical evidence that Islamic religiosity plays a significant role in moderating the relationships between perceived behavioral control and intention. This evidence supports the hypothesis that Islamic religiosity moderates relationship between perceived behavioral control and intention.

This finding implies that Islamic religiosity strengthens the relationship between a person's perceived behavioral control and intention to comply with employment income *zakat* payment. Perceived behavioral control refers to people's perception of the ease or difficulty of performing a certain behavior. Thus, a Muslim may believe that, in general, his/her intention to comply with income *zakat* is determined by his/her own perceived behavioral control. The concept of perceived behavioral control is compatible with the concept of perceived self-efficacy which "is concerned with judgments of how well one can execute courses of action required to deal with prospective situations" (Bandura, 1994). The Muslim teachers' intention to comply with income *zakat* payment is significantly influenced by their confidence in their ability to pay income *zakat* (i.e., by perceived behavioral control).

Islamic religiosity is found to strengthen the influence of perceived behavioral control on the intention to pay income *zakat* because if a Muslim teacher has a strong perceived behavioral control, he/she is more likely to have the intention to pay income *zakat*. The probability of having the intention increases if he/she has strong religious belief since *zakat* is a religious obligation.

However, this study discovered that Islamic religiosity does not moderate the relationship between attitude, subjective norms and moral obligation, and intention to comply with income *zakat* payment. This study provides empirical evidence that attitude has a significant influence on the intention to pay income *zakat*. It indicates that the more favorable the attitude towards compliance behavior of income *zakat*, the stronger the Muslims' intention to pay income *zakat*. The relative importance of attitude is so significant on the intention that Islamic religiosity does not have any significant moderating influence on the relationship between attitude and intention. Thus, the finding of this study indicates that attitude has a significant impact on intentions that religiosity is not needed to strengthen the impact.

Furthermore, the finding of this study indicates that Islamic religiosity does not have any significant moderating role in influencing the impact of subjective norms on the intention to pay income *zakat*. In addition, the moderating effect of Islamic religiosity on the relationship between moral obligation and intention is insignificant. This finding indicates that a Muslim public teacher with the high moral obligation to pay income *zakat* simply have high intention to pay income *zakat* so much so that the influence or the impact of the relationship between moral obligation and the intention is not moderated by Islamic religiosity. In short, the Muslim teacher with high moral obligation simply intends to pay income *zakat* and will not be affected by whether the person is religious or not.

5. Conclusions

The important contribution of this study is that it is able to contribute to the *zakat* compliance issue which is a complex and long-standing issue which has not yet been fully resolved, even though many attempts have been made. The inclusion of religiosity in *zakat* compliance faces challenges because

previous studies used items adopted from Christianity perspective. This study employs Islamic religiosity based on the concept of *Tawhid*, Special *Ibadah* and General *Ibadah* which differs from previous studies and reflects the concepts of religiosity agreed upon by Islamic scholars such as Al-Ghazali.

These findings could be useful as a guide for relevant authorities such as Kedah State Board of Zakat and policy makers to formulate suitable strategies to increase *zakat* revenue in the future. The information that this study provides could also be a useful tool in planning, strategizing and implementing measures, strategies and policies suitable to be used for the purpose of improving employment income *zakat* collection in the state of Kedah as well as Malaysia at large in the future. The role and importance of *zakat* as a primary source of government revenue in Islamic government during the early years of Islam when *zakat* compliance was at a very high level could be realized again when *zakat* collection is improved. *Zakat* could be used not only as an instrument of Islamic public finance but also as a tool of income redistribution and as a mechanism for poverty alleviation.

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