THE INFLUENCE OF PERCEPTION TOWARDS PROMOTION AND SELF-EFFICACY ON INTENTION AND COMPLIANCE BEHAVIOR OF INCOME ZAKAT IN KEDAH, MALAYSIA

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Abstract

Zakat is not only a religious obligation which must be complied by all eligible Muslims but also plays a very important role in Islamic fiscal system, specifically as a major source of income and could be used as an instrument to finance certain programs in order to achieve social, political and economic development among Muslim communities. However, the issue which arises is that zakat collection including income zakat is still low which hinders the effectiveness of zakat in playing a more significant role in the state of Kedah. Therefore, this study attempts to examine the influence of perceptions towards promotional exposure and self-efficacy on the intention and compliance behavior of income zakat. The sample size used in this study is 372 based on Krejcie & Morgan (1970). This study uses PLS-SEM bootstrap and blindfolding technique in order to examine the relationship of the variables of the study. This study reveals that perception towards promotional exposure and self-efficacy have significant relationships and positive influence on intention. Moreover, this study provides evidence that intention has a significant relationship on compliance behavior. The findings of this study have important implications not only for knowledge but also to zakat institutions. The important contribution of this study is that the factors identified as significant determinants of compliance behavior of income zakat such as perception towards promotional exposure and self-efficacy could be useful as a guide for relevant authorities and policy makers to formulate suitable strategies to increase zakat collection in the future.

Keywords: zakat, perception towards promotion, self-efficacy, compliance behavior.

Introduction

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 & 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 (Kamil, 2002; Zainol, Kamil, & Faridahwati, 2009). According to Raedah, Noormala, & Marziana (2011), the total collection of zakat funds was still far behind as compared to the collection of tax by the Inland Revenue Department.
The highest contribution of zakat collection in Malaysia was mainly from zakat on employment income. Employment income zakat contributed the highest percentage in the overall zakat collection in Malaysia (Wahid et al. 2006). However, despite its significant contribution, zakat on employment income was still an issue because of low collection amongst Muslims who were eligible to pay income zakat even though a religious decree making it compulsory to pay zakat on employment income has been long issued (Kamil, 2002). For instance, Kedah, one of the states in Malaysia, gazetted the compulsory zakat employment income on 19 April 1986 under section 38(2) of the Kedah Islamic Law of Administration 1962 of the Government Bill No. 146 (Tarimin, 1995). Yet, Kamil (2002) provided evidence that only 35 percent of Muslim public servants paid employment income zakat in Kedah. Despite the issuance of a religious decree on the compulsory position of zakat on employment income in Malaysia, many Muslims still fail to fulfill their religious obligation to pay income zakat. The total zakat collection is still low compared to the potential zakat collection. This is echoed by Sani Harun, Head of Corporate Unit, Kedah State Board of Zakat. According to him, although there has been an increasing trend in the collection of business zakat, paddy zakat and income zakat, there are still a lot of Muslims in Kedah who have not paid zakat to Kedah State Board of Zakat (LZNK) so much so that the present increase in the collection of zakat is still not sufficient for distribution to allasnaf because of the increasing number of zakat asnaf (Sinar Harian, 2014).

This study attempts to examine the influence of perception towards promotional exposure and self-efficacy on intention to comply with income zakat payment as well as to examine the influence of intention on compliance behavior of income zakat payment among public school teachers in the state of Kedah.

REVIEW OF PREVIOUS STUDIES

Perception towards Promotional Exposure

Perception towards promotional exposure has been examined to influence certain behavior with mixed results. Osman, Haji Othman, Rana, & Lin (2016) verified that advertising and promotion had a significant influence on purchase decision of life insurance. In the field of health, Handa, Vohra, & Srivastava (2013) revealed a positive correlation between the credibility of promotion tools and prescription behavior. Cross (2005) revealed that most nurses had positive views on health promotion and the nurses' role in health promotion in accident and emergency environments. This is reinforced by Awafung (2001) who discovered that many nurses showed positive perception towards health promotion because promotion strategies played an important role to get customers interested in innovations (Sikdar & Vel, 2010). However, Chen & Jallaludin (2000) disputed this finding when they discovered that majority of dental nurses did not perceive oral health promotion to be important.

There have been limited studies which have examined the influence of promotional
exposures on intention and compliance behavior. Among the studies include Kamil (2002), Zainol (2008) and Hairunnizam et al. (2009). Kamil (2002) revealed that promotional exposure was among the significant variables influencing zakat payment among public servants in Kedah. Hairunnizam et al. (2009) maintained that perception towards promotion was significant since the finding of their study specified that among the reasons for zakat payer’s dissatisfaction was the insufficient dissemination of information on zakat distribution. This finding was, however, disputed by Zainol (2008) who attested that promotion by Kedah State Board of Zakat (LZNK) did not have any significant relationship with intention to pay employment income zakat by employees in the state of Kedah.

**Self-Efficacy**

Self-efficacy can be defined as a person’s belief about his/her ability to perform a certain behavior (Bandura, 1994). According to Bandura (1994), a person’s self-efficacy can be developed through mastery experience, vicarious experiences provided by social models, social persuasion and reduce a person’s stress reaction. Liu, Doucette, & Farris (2007) attested that self-efficacy represented one of the dimensions of perceived behavioral control in the Theory of Planned Behavior (TPB). There are numerous studies on self-efficacy such as Bandura (1994), Boyd & Vozikis (1994), Wilson, Kickul, & Marlino (2007), Cherian & Jacob (2013), Ferla, Valcke, & Cai (2009), Davis-Kean et al. (2008), Hayashi (2011), Lane (2004), Broadhead-fearn & White (2006), Zainol (2008) and (Ram Al Jaffri, 2010).

Boyd & Vozikis (1994) showed that self-efficacy influenced the development of entrepreneurial intention and behavior. Similarly, Wilson et al. (2007) evidenced that self-efficacy in MBA students had an impact on their entrepreneurial intentions. This was held by Cherian & Jacob (2013) who reviewed previous studies on self-efficacy and acknowledged that previous studies verified that self-efficacy had an effect on motivation and performance of employees as supported by Bandura (1994). Another empirical support was provided by Cherian & Jacob (2013) who examined the relationship between self-efficacy, employee motivation and work related performance of the employee. The study attested that self-efficacy was positively correlated with work related performance. This was reinforced by Ferla et al. (2009) who studied the relationship between academic self-efficacy and academic achievement and found that academic self-efficacy was a good predictor of academic achievement.

In a study on the relationship between self-efficacy and behavior across human development, Davis-Kean et al. (2008) ascertained that self-efficacy had a stronger influence as human ages. In a different setting, Hayashi (2011) verified that self-efficacy played a significant role in the academic performance of Mexican-American students studying at various community colleges. The study showed that low self-efficacy among the Mexican-American students contributed to their low academic achievements. Likewise, Lane (2004) attested that self-efficacy of Research Method students had an influence on the ability to understand concepts related to Research Method and use research skills.
This is reinforced by Broadhead-fearn & White (2006) who tested Ajzen’s Theory of Planned Behavior (TPB), by comparing the constructs of self-efficacy with perceived behavioral control (PBC), in predicting people’s rule-following behavior during shelter stays. The study proved that self-efficacy was a strong predictor of intentions and was the only significant predictor of rule-following behavior.

In the context of zakat compliance behavior, Zainol (2008) demonstrated that self-efficacy was one of the significant factors which related to zakat compliance behavioral intention. This is sustained by Ram Al Jaffri (2010) who substantiated that self-efficacy, together with other variables such as tax rebate, zakat payment facility and perception towards zakatamil had a significant positive relationship with intention.

RESEARCH DESIGN

A research design is a plan, structure and strategy of the investigation so conceived as to obtain answers to research questions or problems. The plan is the complete scheme or program of the research. This study uses the quantitative method. The quantitative method using questionnaire is used in order to answer research objectives. This study uses survey method using questionnaires in order to collect data. This method is considered suitable because units of analysis (respondents) are scattered around the state of Kedah. 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. The sample size used in this study is 372.

PLS-SEM is used in the analysis of data in this study. One of the reasons for using PLS-SEM is when the structural model is complex (Hair, Ringle, & Sarstedt, 2011). The structural model of this study is complex with many constructs and indicators. This leads to the selection of PLS-SEM for the analysis. Furthermore, according to Hair et al. (2011), the selection of PLS-SEM is more appropriate when extending an existing theory which is what this study attempts to do. Moreover, the advantage of PLS-SEM is that it is able to estimate measurement model and structural model simultaneously.

FINDINGS OF THE STUDY

By running PLS-SEM algorithm, this study obtains the structural relationships which indicate hypothesized relationships among constructs in the theoretical framework of the study. The result of PLS-SEM algorithm gives path coefficients as shown in Table 1.
Table 1: Estimated Path Coefficients

<table>
<thead>
<tr>
<th>Path</th>
<th>Coefficient</th>
<th>T-Statistics</th>
<th>P-Values</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion -&gt; Intention</td>
<td>0.062</td>
<td>1.760</td>
<td>0.040</td>
<td>Significant</td>
</tr>
<tr>
<td>Self-Efficacy -&gt; Intention</td>
<td>0.115</td>
<td>2.724</td>
<td>0.003</td>
<td>Significant</td>
</tr>
<tr>
<td>Intention-&gt;Compliance Behaviour</td>
<td>0.659</td>
<td>19.653</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Table 1 indicates that perception towards promotional exposure is found to be positively and significantly related to intention because the coefficient, t-statistics and p-value are 0.062, 1.76 and 0.04, respectively. In addition, the coefficient, t-statistics and p-value for self-efficacy points toward the positive and significant relationship between self-efficacy and intention. Moreover, intention to pay employment income zakat has a positive and significant relationship with compliance behavior of employment income zakat since the coefficient, t-statistics and p-value are 0.659, 19.653 and 0.00, respectively.

This finding supports the hypothesis that promotional exposure has a positive significant influence on the intention to pay income zakat. This finding is consistent with those of Hairunnizam et al. (2009) and Kamil (2002). Kamil (2002) initiated that promotional exposure was among the significant variables influencing zakat payment among public servants in Kedah. Hairunnizam et al. (2009) maintained that perception towards promotion was significant since the finding of their study specified that among the reasons for zakat payer’s dissatisfaction was the insufficient dissemination of information on zakat distribution.

The assessment of structural model attests that self-efficacy has a significant and positive relationship with intention. Furthermore, it is established that self-efficacy has a significant albeit small effect size and significant predictive relevance. This finding is consistent with findings of previous studies on self-efficacy such as Bandura (1994), Boyd & Vozikis (1994), Wilson, Kickul, & Marlino (2007), Cherian & Jacob (2013), Ferla, Valcke, & Cai (2009), Davis-Kean et al. (2008), Hayashi (2011), Lane (2004), Broadhead-fearn & White (2006), Zainol (2008) and (Ram Al Jaffri, 2010).

Boyd & Vozikis (1994) attested that self-efficacy influenced the development of entrepreneurial intention and behavior. This evidence was supported by Wilson et al. (2007) who substantiated that self-efficacy had an impact on entrepreneurial intentions. Likewise, Cherian & Jacob (2013) reviewed previous studies and discovered that self-efficacy had an effect on motivation and performance of employees as suggested by Bandura (1994). This is reinforced by Ferla et al. (2009) who evidenced that academic self-efficacy was a good predictor of academic achievement.

Similarly, self-efficacy was attested to have a stronger influence as human ages (Davis-Kean et al., 2008). This is maintained by Hayashi (2011) who revealed that self-efficacy played a significant role in academic performance. The study verified that low self-efficacy among the Mexican-American students contributed to their low academic achievements. Likewise,
Lane (2004) discovered that self-efficacy had an influence on the ability to understand concepts related to research. This is reinforced by Broadhead-fearn & White (2006) who verified that self-efficacy was a strong predictor of intentions and was the only significant predictor of rule-following behavior. In the environment of zakat compliance behavior, Zainol (2008) ascertained that self-efficacy was one of the significant factors which relate to zakat compliance behavioral intention. This is maintained by Ram Al Jaffri (2010) who revealed that self-efficacy had a significant positive relationship with intention.

In short, self-efficacy which is defined by Bandura (1994) as a person’s belief about his/her ability to perform a certain behavior is verified by this study to have a significant influence on intention even in the setting of employment income zakat. It indicates that public school teachers who have high self-efficacy are more likely to have strong intention to comply with employment income zakat payment as postulated by the hypothesis which upholds that self-efficacy has a positive significant influence on the intention to pay income zakat.

In addition, this study provides empirical evidence that intention has a significant relationship with compliance behavior of employment income zakat. This finding supports the hypothesis that intention has a significant relationship with and a significant, positive influence on the compliance behavior of income zakat.

**CONCLUSION**

The objective of this study is to examine the influence of perception towards promotional exposure and self-efficacy on the intention to comply with income zakat in Kedah. In addition, this study attempts to study whether the intention has a significant influence on compliance behavior of income zakat in Kedah. All objectives of the study are achieved as discussed. This study finds that perception towards promotional exposure and self-efficacy have significant relationships and positive influence on intention. Moreover, this study finds that intention has a significant relationship with compliance behavior. The findings of this study have important implications not only for knowledge but also to zakat institutions. The findings of this study have important implications for theory as well as policy. Using a new method, PLS-SEM, this study is able to provide empirical evidence which is in line with findings of previous studies as well as new findings which expand the boundary of knowledge in the area of compliance behavior of zakat. The important contribution of this study is that the factors identified as significant determinants of compliance behavior of income zakat such as perception towards promotional exposure and self-efficacy could be useful as a guide for relevant authorities and policy makers to formulate suitable strategies to increase zakat revenue in the future. The information that this study provides can prove to 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 zakatas 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.

References


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