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**Perception of Muslim Consumers towards Tax  
Deduction through Zakat in Malaysia: An Empirical  
Investigation on Muslims in Malaysia**

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**Abstract**

The aim of this study is to explore the factors which are affecting Muslim consumers' perception towards tax deduction through zakat in Malaysia. A conceptual framework was drawn based on the literature. Six factors were extracted through principal component analysis and SEM was run to test the hypotheses. This research found that halal-haram aspect of Islamic Shariah has a very positive influence on Muslim consumers' perception towards the tax rebate system. In addition, legal consciousness and knowledge about tax and zakat have positive significant impact on Muslim consumers' perceptions towards this system. Due to the limited literature available on this subject matter, this study offers unique findings that may help in capitalizing the practices in Muslim countries and to understand their consumers' perception regarding the tax deduction system. In conclusion zakat institutions in Malaysia will also be better benefitted through this research finding.

*Keywords: Muslim Consumer, Perception, Tax deduction through Zakat*

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**Introduction**

Zakat was enacted more than 1400 years ago by Allah SWT to His creation mankind through His messenger Muhammad (PBUH) as a matter of removing poverty from the society to help the lower income or poor people so that the objectives of socio-economic growth can be attained. From this view, zakat is a right of the poor people. Other point of view, it is an obligatory financial duty of the rich people in the society (Kahf, 1997). It is quoted in the Surah At-Tawbah, "Take sadaqah from their amwal (wealth and income) in order to purify them, and sanctify them with it" (Al-Qur'an, 9:103). There is no other system in the world except Islam where it is clearly stated that the right of poor people is a duty of both individual and government through zakat (Shariff et al., 2011).

Malaysia is a multi-racial country that consists of various ethnic races which mainly are Malay, Chinese and Indian. They are free to possess any religion. However, according to the article three of the Malaysian constitution, Islam is the official religion. Malaysia is governed by mostly Muslim people and they are trying to follow the Islamic law for the satisfaction of Muslim people. Zakat is a mandatory duty of Muslims to pay a specific amount of their income (under some conditions) to the beneficiaries called al-mustahiqqin with the principal objective of the achievement of socio-economic balance (Muhammad, 1980). The collection and distribution of zakat should be maintained by the Muslim Government or Muslim supervisory body that has been assigned by that Government. In Malaysia, zakat management is under the supervision of state government (Lubis et al., 2011.). Zakat

which is just not a pillar of Islam for worshipping Allah SWT but is a right of the poor people of the society (Ali & Myles, 2010). So, the government enforces the Muslim people to pay both zakat and tax. On the other hand, non-Muslim people in Malaysia have to pay income tax only. Even though, Malaysia is following the mixed economy but states are allowed to introduce rules related to the religion Islam. It means the state ruler or sultan has freedom about the religious matters beyond its federal government (Lubis et al., 2011).

In Malaysia, the institutions which are collecting and distributing zakat from the Muslims who are eligible to pay zakat is known as State Islamic Religious Councils (SIRC) (Wahab & Rahman, 2012). Kelantan which is known as Islamic state was the pioneer in establishing the Religious Council in Malaysia. They established it in 1915 which became the standard for all other states of the country (Yusuf & Derus, 2013). Even though, the purpose of zakat collection and distribution is same but methods applying to collect or manage the zakat varies from state to state. For example, Pulau Pinang and Sarawak have privatized their zakat management system. On the other hand, Kuala Lumpur Federal Territory, Negeri Sembilan, Melaka and Pahang privatized the collection of zakat only and distribution is the responsibility of SIRC. The rest of the states namely Kedah, Perlis, Sabah, Kelantan, Perak, Terengganu, Johor, Putrajaya and Labuan Federal Territory are maintained by their SIRC's (Hairrunizam & Radiah, 2010). Zakat institution becomes less important because of its lack of efficiency and transparency and found half of the respondents are not like to pay zakat through institution in a research done by Wahid, Kader and Ahmad (2008). It is found that in Malaysia and Indonesia, the people are eager to pay their zakat to body assigned for this but due to higher degree of corruption and non-existence of proper managerial body of zakat collection in Bangladesh, the people are reluctant (Ali & Hatta, 2014).

Zakat is a word which is mentioned 30 times itself in the holy Qur'an (Shariff et al., 2011). In regard to spiritual aspect, zakat is the order of Allah SWT which is mentioned in the Al-Qur'an 58 times in total where 32 times the order of zakat is alone and 26 times is with solat (Wiliasih, 2011). During pre-Hijra period, there were descriptions in ten places in the Quran – 6:141, 7:156, 19:31, 55, 21: 73, 23:4, 27:3, 30:39, 31:4, 41:7 and 73:20 – that described methods concerning the payment of Zakah. Prophet Muhammad (pbuh) instructed and urged his Muslim companions to pay Zakat as much as they could to their indigent brothers in Islam (Samad & Glenn, 2010). The collection of zakat is prioritized to amass collectively as like as daily five times prayer or solat with jam'ah or aggregately. From the history we know that Islamic leaders were used to collect the zakat from the people during their whole Islamic era until the collapse of the last Muslim caliphate in turkey in the twentieth century. Zakat is playing a crucial role for the smooth consumption pattern of the poor people (Khan, 2007). Zakat is one of the foundations of Islamic economy based on social welfare and fair distribution of wealth to the poor (I. Ali & Hatta, 2014). The goals of distribution of zakat are decrease inequality, to establish human rights, to remove social injustice, to bring empowerment of the poor people of the Muslim society. Basically, Islam always emphasize not only on the individual but also on the deprived and poor people of the society. It means Islam looks for the collective development rather than the individual (Azmi, 1991).

Since Malaysia is the country that full with citizen who are different regarding various backgrounds and religions. However, paying zakat as a tax is only related to Islamic practice, therefore it is important to government to identify and understand how these differences have influence on Muslim consumers' perceptions on the procedure of paying zakat as a part of tax in order to develop the implementation and serve them ultimately. This study will provide the information involves what are the important factors that make people perceive this system differently. The information received can be utilized by the government and state governors to provide appropriate information and education to people, to develop the effective communications to people effectively. Eventually, by doing so can help Malaysian form the positive perception toward the practice of paying zakat as a tax in the future and then lead to sustain development of zakat management of the country.

Therefore, based on the above discussion, this research is to determine the level of perception of the respondents regarding zakat on income over income tax whether positive or negative. Apart from that, this study aimed to know the Muslim consumers' level of understanding and consciousness to the legal issues (general law) and halal and haram issues towards zakat on income and tax.

## Literature Review

### Zakat and Tax

Zakah is “that portion of a man’s wealth which is designated for the poor” (Sayyid Sabiq, 1991). It is also defined as: “a compulsory levy imposed on the Muslims so as to take surplus money or wealth from the comparatively well-to-do members of the Muslim Society and give it to the destitute and needy” (Zaim, 1989). On the other hand, tax is defined as “the process of raising money for the purpose of the government by means of contributions from individual persons” (Singh, 2001). This definition of tax was cited by some others (R vs Barger, 1908) and *Malthews vs the Chicorg Marketing Board* (1938). Hanson, (1972) narrates taxes are imposed solely to raise revenue in order to cover the operating and development expenditure of the state. In Abbasi (as cited in Abu Bakar and Abdul Rahman, 2007) viewed tax as complementary.

Tax is levied on income or consumption whereas zakat is established on various and wider range of covering both productive wealth and idle properties (Bakar and Rahman, 2007). Zakat is applied on all of the items representing a person’s income and calculated after deduction of his or her personal expenses if it reaches nisab (wealth equivalent to 85 grams of gold). This is vastly referred to by a great number of Muslim countries including Malaysia.

Taxation is a compulsory payment to a government based on possessions of a tax base (Mikesell, 2003). It is a crucial economic and political issue (Connolly & Munro, 1999). The purpose of imposing tax is to raise the fund for cost of administration and defence, and some other public services in the country and also for the expenditure of the ruler (Hanson, 1972). There are two types of taxation. One is based on proportional principle means that tax is proportional to income and other is based on progressive principle means the amount to be paid as a tax increases more than proportionately with the income of tax payer. The principle of proportion is strongly supported by the Scottish economist Adam Smith because he envisaged it as the most reasonable method of collecting revenue from the taxable income of the people of the state (Hanson, 1972).

### Factors Affecting the Payment of Zakat and Tax

Earlier studies shows a few factors that influenced zakat on income payment such as personality value of the zakat payer, enforcement on zakat, efficiency of zakat administrator and zakat knowledge except study by Nur Barizah et al., (2005). For instance, personal value of businessman has relationship on decision whether to pay or not to pay zakat in under the individual control (Hanno and Violette, 1996). Halizah, Alwi, & Tahir, (2011) quoted Ram-al-Jaffri and Kamil (2007) that they have designed the framework of the attitude towards zakat on business and subjective norms lead to behavioural intention and directly will affect the actual behaviour towards zakat on business payment. Attitude towards zakat are influence by the board of directors and shareholder. The more Muslim directors and shareholders are the high tendency to respond to the zakat business payment. Strong religious values may increase their willingness to pay taxes for the benefit of the country. However, Rahim, Ariffin, & Nawi, (2011) described in the 8th International Conference on Islamic Economics & Finance that human behaviour (Muslim community) making a decision (comply or non-comply) to pay the zakat (official or unofficial channels) according to enactment and law implemented to achieve satisfaction in the present life and hereafter and the indication of thankfulness to Allah. The consumer’s perception toward zakat and tax depend on the education, religiosity and law reinforcement. Most studies conducted on zakat in Malaysia concentrates on various areas including theoretical but probably a few from the view point of marketing and consumer behaviour (Nur Barizah, 2010; Anuar, Adam, & Mohamad, 2012).

A recent study was conducted to check out the impact of culture upon the perceptions of tax fairness and tax compliance and found there is no cross cultural universal relationship on the basis of their investigation of two different regions Australia and Hong Kong (Gilligan and Richardson, 2005). Study revealed that females are more compliant than males (Richardson and Sawyer, 2001; Jackson and Milliron, 1986) and less often tax evaders or tax avoiders (Oxley, 1993). Similar is true for older taxpayers compared to younger (Smith, K.W., 1992).

## **Knowledge**

Knowledge is the most important strategic resource and basic element to acquire intangible assets and pertinence (Grant, 1996). Research found that for creating knowledge value, increasing firm's growths and abilities and to obtain competitive advantage knowledge has its crucial role (Kogut and Zander, 1993; Conner and Prahalad, 1996). Some other scholars also emphasized knowledge as a primary resource for creating value, heterogeneity and getting competitive advantage (Kogut and Zander, 1992; Grant, 1996). Knowledge management is a management tool consists of a bunch of principles along with a series of exercises and techniques through which the principles are introduced. The aim of this knowledge management is to create, convert, disseminate and utilize knowledge (Palacios, Gil, & Garrigos, 2008). The nature and significance of the management system is directly conditioned on the way the organizations build their wisdom and knowledge. Zollo and Winter (2002) described that an organization is able to increase its dynamic competence once it has three mechanisms together: the accumulation of experience and knowledge and their codification. Knowledge management strategies are very important plans that help organizations to achieve its visions and goals with the knowledge and capabilities it has. Actually, effective knowledge management is highly required for smooth knowledge management process (Shaw & Edwards, 2005). Studies also found that impact of knowledge management on organizational performance is significant (Choi & Jong, 2010).

Firms that engage in sales strategy activities and decisions may have good knowledge concerning target customers and this by using an expensive sales and target customers through inexpensive channels. This in turn might make firms able to optimize resource allocation, also increasing their financial performance (Panagopoulos & Avlonitis, 2010). Organizations always focus on the development for which they expect a rapid access of knowledge and technologies for their human resources (Sherman et al. 2005; Ding and Peters 2000). Hegde and Shapira (2007); Ranft and Lord (2002) stated that internal knowledge sharing happens when knowledge based assets are attained and used. The modern technology based organizations promote the new and latest technology and innovations to cope up with the current trend among their human capital as they throw out the obsolete knowledge (Darrock et al. 2005). Incessant learning and changing culture have a positive effect on the knowledge stock (Liao et al. 2007).

Tax professionals who have more systematized knowledge are likely to evaluate decision variables differently than the others who have less knowledge (Bonner, et al., 1992 and Gibbins, 1984). The level of influence of these knowledge variables can differ as complexity level increases mentioning that procedural knowledge stands for professional understanding of the process of making a tax return within the tax compliance (O'Donnell, Koch, & Boone, 2005). When tax payers want to know their tax positions, they have to go to the tax professionals. It is the reality that tax professionals use their tax rules and regulatory knowledge for evaluating client information. Tax professionals try to reduce the tax burden of their clients by following the maximum compliance level and utilizing their tax knowledge (Roberts, 1998).

## **Halal and Haram Aspects**

Halal commences from an Arabic phrase that means allowed or permitted by Islamic Law (JAKIM, 2011). In English, it refers to things that are permissible according to Islamic law while in Arabic, it refers to things that are allowed under Islam (Kamali, 2003). Generally, it shows something that Muslims can engage in e.g. eat, drink or use. The area of halal can be extended up to all consumables and others such as toiletries, pharmaceuticals, cosmetics, income, etc. A halal food product is that product which is produced according to Islamic law (Ceranic and Bozinovic, 2009). This Islamic law determines which product is permitted (Halal) and which product is prohibited (Haram) for Muslims. The sources of these laws are from the holy Quran and hadith which is generally explained by the Muslim scholars (Riaz & Chaudry, 2004). The halal and haram laws are fixed and must be observed at all times (Bonne & Verbeke, 2008). Therefore, it is important to confirm the status of the products whether the products are halal or haram.

The issue of halal (lawful) and haram (unlawful) status is crucial for Muslims as it relates to religious claims. Therefore, enacting any law or regulations regarding halal or haram issues of Muslim people need to take into account (Mustafa Afifi et al., 2013). Halal issues can be viewed from three different angles. Firstly, Muslim consumers' attitudes towards the value of halal food purchased. Second, the

producers' attitudes towards Muslim consumers whether manufacturers are respecting the belief of Muslim consumers or not. Lastly, in case of fraudulent usage of halal logo, what kind of legal actions can be taken means laws are enforceable enough or not (Mustafa Afifi, 2012). According to Al-Quran,

“O ye who believe! Eat of the good things that we have provided for you” (Surah Al-Baqarah 2: 172).

“So eat of the sustenance which Allah has provided for you, lawful and good; and be grateful for the favours of Allah, if it is he whom ye serve. He has only forbidden you dead meat, blood, flesh of swine and any food over which the name of other than Allah has been invoked. But if one is forced by necessity, without wilful disobedience, not transgressing due limits, then Allah is oft forgiving and most merciful” (Surah al-Nahl., 16: 114-115).

Islamic law (also known as Shariah) is a revelation from Allah SWT to lead Muslim people life (Hussaini, 1993; Doi, 1984). In Islam, it is very important to maintain halal and abstain from haram in every aspect of life (IHI Alliance, 2009; Laldin, 2006). Halal-Haram (lawful-unlawful) is clearly based on Islamic values (Zakaria and Talib, 2010). There is a change in modern marketing because companies are moving away from a consumer centric to a value driven approach which hoist the concept of marketing into the territory of human aspiration, values and sprits (Kotler et al., 2010). The global halal market demand is increasing day by day. The halal food market is currently 16% of entire global food industry (Nestle, 2009).

There are several organizations worldwide which are established for controlling and assuring halal food standardization and certification (Anir, Nizam, & Masliyana, 2008; Ziegler, 2007). The purpose of halal standards is to avoid ambiguity and to help consumers in choosing products that comply with halal requirements (van der Spiegel et al., 2012). Halal logo is treated as a sign of quality assurance and lifestyle choice in the field of today's business and trade (Islam Online, 2005). Halal logo or certificate ensures Muslims about the products they consume and also motivate producer to meet the halal standards. That is why halal certification can also play an important role for giving the assurance about the necessity of maintaining halal (Mohamed Omar, et al., 2012). JAKIM introduces e-halal logo also besides halal labelling on package or signboard of restaurants considering a good number of e-shoppers in Malaysia.

Halal supply chain can be described as the dealings of a halal network with the purpose of transferring goods with halal integrity to ensure that the goods are totally halal at the point of purchase (Tieman, Vorst, & Ghazali, 2012). The cuffs of supply chain management is helpless due to their faith (Bonne and Verbeke, 2008), maintenance of halal integrity (Tieman, 2011; Bahrudin, 2011), relief of doubt in halal food (Kamali, 2010), lower control of halal food norms (Pointing et al., 2008; Norman et al., 2009; Zakaria, 2008; Berger, 2011), and sensitivity of Muslim consumers towards halal (Wilson and Liu, 2010; Havinga, 2011).

### **Legal Consciousness**

The concept of legal consciousness is a wide-ranging which has various dimensions and, generally, refers to the method of perception and understanding of the role of law, and the process of compliance with law by individuals (Galligan, 2006). Legal consciousness emphasizes on what individuals know about the law (Hertogh, 2004) and the way the law is move toward, raised and used by them. Therefore, legal consciousness counts not only the way people act but also their approaches with regard to the lawful actions (Hoffmann, 2003). It is necessary to know not only why, when and how the law and legal organizations are used, but also why and when they are not used (Ewick and Silbey, 1992). In other way, legal consciousness is used in order to find out the manner particular individuals understand what the law is, experience it and respond to it (Merry, 1990).

According to (Li & Xin, 2014) Legal consciousness varies from person to person. His findings were: 1) the national and social management confidence towards law is higher and they believe that although the law is still not perfect but it will gradually be developed and adjust to the economic system. 2) Private entrepreneurs' professionals and technical personnel, managers of the legal trust investigation have greater degree of trust and can make full use of their knowledge to solve their problems legally. 3)

Normal individual industrial and commercial households and business services personnel are not clear and do not understand the protection of rights and interest through legal aids. 4) Agricultural workers, industrial workers and urban unemployed and half employed people believe that they are outcast of law but it is necessary for the society.

Nielsen (2000) has constructed an analytic framework in which legal consciousness was evaluated from the specific axes. Her intension was to discover variations in legal consciousness across social groups how race, gender and class shape legal consciousness. Legal consciousness has different dimensions, have been identified in various studies as particular groups of individuals, locations or socio-legal phenomena. Subjects also included, inter alia, women (Marshall, 2003), local government actors (Cooper, 1995), ordinary people (Marshall and Barclay, 2003) and welfare applicants (Cowan, 2004) from the aspects of different situations e.g. legal service offices (Sarat, 1990), to public places (Nielsen, 2000) and the workplace (Marshall, 2003) and a kind of legal issues was covered, such as discrimination (Harding, 2006), sexual harassment (Marshall, 2003) and welfare (Sarat, 1990).

For ordinary people, the law is an impertinent and mostly isolated aspect of their life (Ewick and Silbey, 1998). Legal consciousness of a judge has certainly a different measurement than that of normal citizens. In case of the judiciary, one can express legal consciousness, which is 'internal' to the system of law and which stands in contrast to its 'external' measurement, which is presented by ordinary citizens (Friedman, 1989). The legal consciousness of marginalized people is diverse in characteristics (Gies, 2003). They perceive the law as visible, immediate and powerful; on the other hand the law constitutes a burden, nuisance or harassment (Sarat, 1990; Merry, 1990; Ewick & Silbey, 1998). Thus, relations of power and resistance are the indicators of marginalized people's legal consciousness (Sarat, 1990; Gies, 2003).

Study conducted by Jaremba, 2013 found that the legal consciousness of judges towards EU law is well shaped by their personal experiences with resorting to it and applying it as well as according to their knowledge of it. Study found that judges' legal consciousness regarding EU law is very much shaped by their personal experiences with resorting to it and applying it, and their knowledge of it (Jaremba, 2013). That is also why legal consciousness is a somewhat up-and-coming and unsolidified notion, as it may change in the course of time together with the extended experience and knowledge (Ewick and Silbey, 1992).

### **Religiosity**

Religion is very important for every individual and is considered as a permanent pillar that exists in the lives of believers forever (Kharim, 2010). Indeed, religion is one of the most noticeable aspects in the society that motivates every aspect of a person's lifestyle, beliefs, attitudes and behaviour as well (Hanazee and Ramezani, 2011; Mokhlis, 2009). Khraim (2010) concluded that Islamic religiosity is "the degree level of individual commitment, involvement and practice internally and externally to the fundamental principles of Islam." Human decisions are guided by the religion (Hanazae, et al., 2011) which is considered as the most influential social factors that affects people ( Mukhtar and Butt, 2012) by giving them direction that assist them to interpret and understand the true meaning of life (Delener, 1994). Even though, religion affects human's decision but it differs from person to person because of their religiosity (Mukhtar and Butt, 2012) mentioning that individual religiosity can be measured with the extent to which they are religious means through their commitment to their religion (Delener, 1990).

Religiosity consists of four measurements (Hanazae, et al., 2011). First of all, it is called ideological dimension which is basically depends on the beliefs in the basic and fundamental principles of his or her religion. Secondly, it is ritualistic means individuals' dedication and commitment towards their religion. Third one is known as intellectual measurement which indicates that individuals should have proper knowledge of their religion. The last one is experimental dimension based on spiritual connection with their God by their deeds. Some other researchers mentioned that there are two measurements namely, religious commitment and religious affiliation (Sun, et al., 2012; Salman and Siddiqui, 2011). Religious commitment forms of both cognitive (means beliefs and affects) and behavioural traits (Mokhlis, 2009; McDaniel and Burnett, 1990) whereas religious affiliation is called

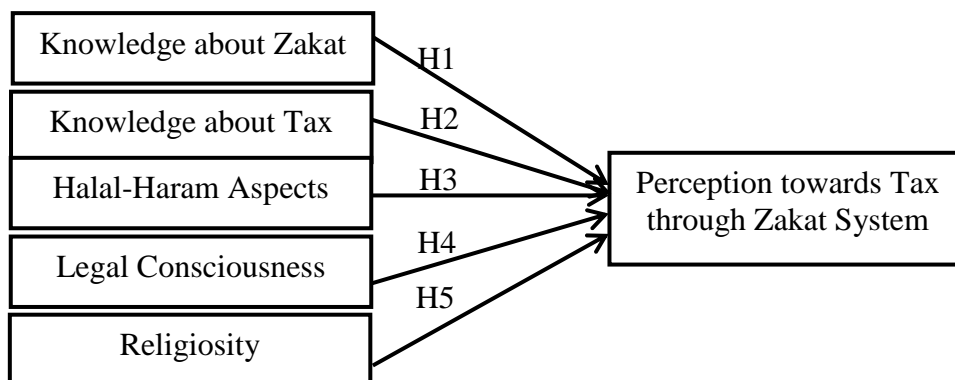
individuals' association with a particular religious group (Mokhlis, 2009). All these dimensions have a meaningful impact on their adoption of new products (Rehman and Shabbir, 2010).

Findings of a study done by Esso and Dibb (2004), the respondents who devoted in their religion is significantly different that the respondents who are casually religious. Casually religious buyers are more demanding and innovative, eager to buy new products for trial and like to buy on credit. On the other hand, buyers who are devoted in their religion give more importance to pay cash, conservative in nature, responsible and tolerant also. This research was a supportive research of Wilkes, et al., (1986) where they described that more religious consumers do not like to buy on credit. According to other research, religiosity is a strong pointer of consumers' purchase which varies to their level of religiosity (Mokhlis, 2009). The research in the adoption of Islamic mobile banking services among Southeast Asian Muslim and non-Muslim consumers found that two groups are different because of their religion and religiosity (Sun, et al., 2012).

Muslim people are very offensive compared to non-Muslim regard to the advertisements which are related to sex or gender, political groups (Fam, et al., 2004). This research was conducted among the consumers of the religion Islam, Buddhist, Christian and non-religion consumers. Muslim consumers in Malaysia showed a significant importance on Islamic values and principles in their purchase (Alam, et al., 2011). The level of education achieved by a consumer has evidenced to have an insignificant stimulus on the consumption of halal food products. It has also been proved beyond any sensible distrust that religion has little impact on the individual consumer's perception of halal food products save for Islam and other religions (Mutsikiwa & Basera, 2012).

### Conceptual Framework of the Study

This proposed framework of our current study has been constructed in reference to the literature review. This particular model concentrates on Muslim consumers' perception towards tax through zakat system in Malaysia. From this literature review, we have dug out independent variables namely knowledge about zakat, knowledge about tax, halal-haram aspects, legal consciousness and religiosity to find out the expected relation with the dependent variable named perception of Muslim consumers towards tax through zakat system in Malaysia. The following figure 1 represents a picture of the proposed model.



### Hypothesis Development

H1: There is a significant positive relation between knowledge about zakat and Muslim consumers' perception towards tax through zakat system.

H2: Knowledge about tax has also a significant positive effect on the Muslim consumers' perceptions towards tax through zakat system.

H3: Consideration of halal and haram aspects has significant positive impact on Muslim consumers' perception towards tax through zakat system.

H4: There is a positive and significant relation between peoples' legal consciousness and Muslim consumers' perceptions towards tax through zakat system.

H5: Religiosity has a significant positive impact on Muslim consumers' perception towards tax through zakat system.

## Methodology

The approach of the study is deductive in nature since it is intended to test the proposed model based on the current literatures and relevant theories. As such, it adopts positives paradigm and collected primary data. Since data is collected from different states in Malaysia through online, from 1800 distributed questionnaire, 236 completed responses therefore are adequate. In terms of rating the baseline questions, the study uses 7 point scale technique. In analyzing the data to get the result, the study uses three stages comprehensive analysis techniques. At the first stage, it describes the demographics of the respondents with the demographic tools such as frequency distribution. In the next stage, it uses exploratory factor analysis to sort out the number of factors and the associated items. In the final stage of the data analysis, the study uses structural equation modeling technique (AMOS 20) to test the hypothesis.

## Data Analysis and Result: Descriptive Analysis

The following table (table 1) shows the descriptive analysis of respondents on the basis of gender, age, marital status, nationality and academic qualification. In all the cases the table shows the evidence that the chosen respondents are not identical rather there is participation from all identified criteria.

**Table 1: Demographic Profile of Respondents**

Description	Frequency	Percentage	Valid (%)	Cumulative (%)
<b>Gender</b>				
Male	104	44.1	44.1	44.1
Female	132	55.9	55.9	100.0
<b>Total</b>	<b>236</b>	<b>100.0</b>	<b>100.0</b>	
<b>Age</b>				
Less than 20 Years	2	.8	.8	.8
26-30	25	10.6	10.6	11.4
31-35	39	16.5	16.5	28.0
36-40	45	19.1	19.1	47.0
41-45	50	21.2	21.2	68.2
46-50	27	11.4	11.4	79.7
51-55	26	11.0	11.0	90.7
56-60	12	5.1	5.1	95.8
Above 60 Years	10	4.2	4.2	100.0
<b>Marital Status</b>				
Single	36	15.3	15.3	15.3
Married	191	80.9	80.9	96.2
Divorcee	6	2.5	2.5	98.7
Widow / Widower	3	1.3	1.3	100.0
<b>Nationality</b>				
Malaysian	204	86.4	86.4	86.4
Others	32	13.6	13.6	100.0
<b>Academic Qualification</b>				
Honours (Degree)	20	8.5	8.5	8.5
Masters	82	34.7	34.7	43.2
PhD	124	52.5	52.5	95.8
Others	10	4.2	4.2	100.0
<b>Occupation</b>				
Teaching	214	90.7	90.7	90.7



Description	Frequency	Percentage	Valid (%)	Cumulative (%)
Others	22	9.3	9.3	100.0
<b>Monthly Income</b>				
Less than RM 5,000	43	18.2	18.2	18.2
RM 5,001-6,500	54	22.9	22.9	41.1
RM 6,501-8,000	56	23.7	23.7	64.8
RM 8,001-10,000	37	15.7	15.7	80.5
RM 10,001-15,000	33	14.0	14.0	94.5
More than RM 15,000	13	5.5	5.5	100.0
<b>Living State</b>				
Kuala Lumpur	46	19.5	19.5	19.5
Negeri Sembilan	21	8.9	8.9	28.4
Selangor	113	47.9	47.9	76.3
Others	56	23.7	23.7	100.0

**Factor analysis:**

Factor analysis is used to identify the number of constructs constituting in the analysis. Here, it finds out the total number of factor and the items associated with it. Before to do it, KMO (table 3) value should be significant to confirm the sample adequacy whereas Cronbach Alpha (table 2) should be good enough to settle the instruments reliability. For both of the cases, the result is significant that allows the study to go for exploratory factor analysis.

**Table 2: Reliability Statistics**

Reliability Statistics	
Cronbach's Alpha	N of Items
.921	38

**Table 3: KMO and Bartlett's test**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.865
	Approx. Chi-Square	4401.834
Bartlett's Test of Sphericity	df	630
	Sig.	.000

In the following table (table 4) final rotated factor matrix shows the number of factor and their associated items. In terms of extracting the factor, it was setting the eigenvalue 1 and more. To filtering the least relevant items it suppresses the loading less than .30. Here, overall 6 factors are extracted. From the nature of the relevant items and with having the literature support on it, it researchers named the factors as perception, religiosity, legal consciousness, halal-haram, tax and zakat knowledge respectively.

**Table 4: Rotated Factor Matrix**

Description	F1	F2	F3	F4	F5	F6
<b>Factor 1: Perception</b>						
[P2] I feel that it is acceptable to enjoy tax rebate through zakat	.768					
[P8] Government allows people to receive tax rebate through the amount of zakat they paid	.646					

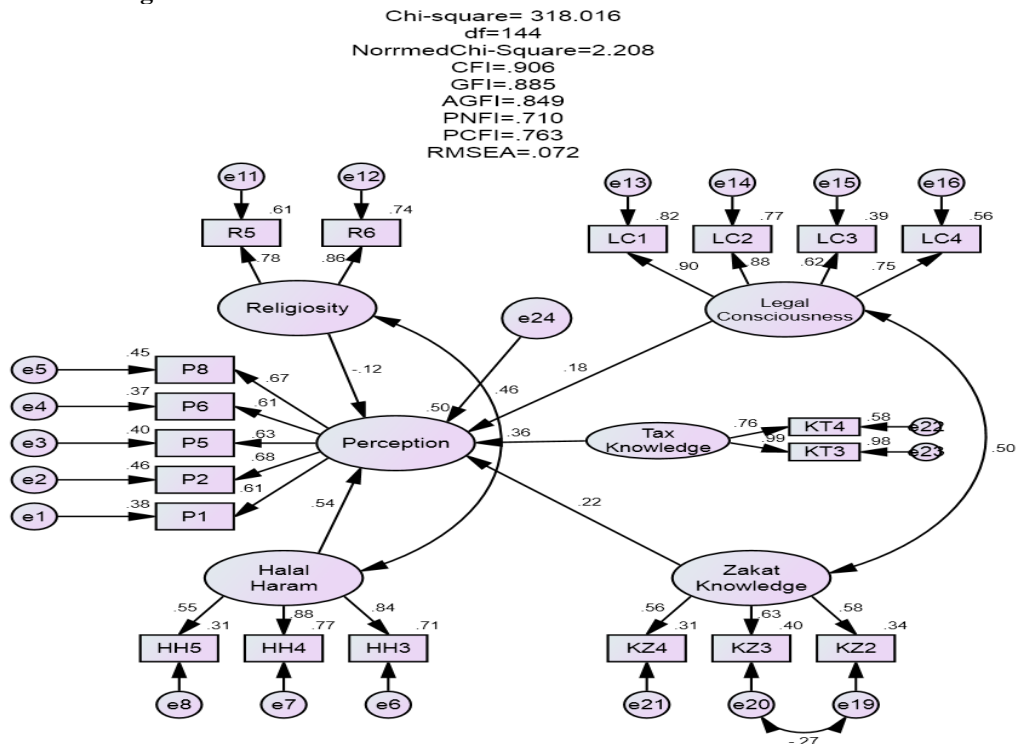
<b>Description</b>	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>F4</b>	<b>F5</b>	<b>F6</b>
[P5] I believe tax rebate through zakat system will increase the government's zakat fund	.631					
[P9] I feel comfortable when I enjoy tax rebate through zakat	.602					
[P3] I feel I am fairly treated by the government because I can avoid double taxation of my earnings	.601					
[P4] I believe tax rebate through zakat system will motivate Muslims to pay their tax and zakat	.573					
[P6] The government allows zakat paid to be claimed as tax rebate	.542					
[P1] The way of paying zakat and getting tax rebate is understandable and clear to me	.528					
<b>Factor 2: Religiosity</b>		<b>F2</b>				
[R6] The information of religious books and magazines influence me to enjoy tax rebate through zakat		.821				
[R5] Religious lectures enhance my understanding to choose this system easily without hesitation		.758				
[R1] My religious beliefs influence me to get the advantage of tax rebate through zakat		.679				
[R4] I think tax rebate through zakat system is a sign of government's religious duty towards the Muslims		.653				
[R3] I believe that enjoying tax rebate through zakat is a good system for Muslims		.566				
[R7] I motivate others to enjoy tax rebate through zakat as I feel it is their rights to be free from double taxation		.482				
[R2] I maintain legal obligations related to tax because I feel it protects my social image		.368				
<b>Factor 3: Legal Consciousness</b>			<b>F3</b>			
[LC1] I know I have to follow the government rules and regulations as a citizen or resident			.814			
[LC4] I pay tax because I am legally conscious			.791			
[LC2] I always follow the government rules and regulations while I pay my tax			.781			
[LC3] I pay tax because it is an order from the government			.667			
[LC5] Tax is a compulsory payment because it is imposed by the government			.466			
[LC6] Tax contributes in the poverty reduction, social and economic development of the country			.395			
<b>Factor 4: Halal-Haram</b>				<b>F4</b>		
[HH1] I am strict regarding halal and haram aspects of Islamic Law or Shariah law				.723		
[HH2] I ask my friends or scholars about its permissibility in Islam If I am not clear about anything				.693		
[HH6] A practicing Muslim always follow Islamic guidelines to lead his life				.657		
[HH3] I think enjoying tax rebate through payment of zakat is permissible (halal) in Islam				.573		
[HH5] I believe that I fulfil the requirements of paying zakat				.519		
[HH4] I enjoy tax rebate through zakat while I am paying my tax because I feel it is permitted (halal)				.481		
<b>Factor 5: Tax Knowledge</b>					<b>F5</b>	
[KT2] I have enough knowledge about the tax rates (%) according to Malaysian Income Tax Act					.752	
[KT1] I know the minimum amount of money for which I have to pay tax to the government					.674	

Description	F1	F2	F3	F4	F5	F6
[KT4] I know tax authority is providing proper information to motivate the Muslim consumers about this system					.558	
[KT3] I know zakat institutions are providing proper information to motivate the Muslim consumers about this system					.553	
<b>Factor 6: Zakat Knowledge</b>						<b>F6</b>
[KZ7] By paying zakat, I strongly believe that the economic condition of the Muslim Ummah will be improved						.741
[KZ5] I have to pay 2.5% of my wealth if zakat is applicable for me						.552
[KZ4] I believe zakat is a social obligation towards Muslim Ummah						.525
[KZ2] I believe zakat on income is a religious obligation						.498
[KZ3] I know about the minimum amount which is applicable for zakat in Islam						.482
	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>F4</b>	<b>F5</b>	<b>F6</b>
Initial Eigenvalue	10.664	2.505	2.308	2.041	1.652	1.386
Total Variance explained %	29.622	6.958	6.411	5.669	4.588	3.850
Extraction Method: Principal Component Analysis						
Rotation Method: Varimax with Kaiser Normalization						

**Structural Equation Modelling and Hypothesis Testing:**

The study uses structural equation modelling (SEM) to test the above drawn hypothesis. It is to be noted that SEM can test the multiple relationships in a single shot. Overall goodness of fit should be satisfactory prior to observe the hypothesized relationship. Meaning that, CFI, RMSEA and Normed chi square value should be .90 or greater, .08 or less and 5 or less respectively. Figure 1 shows the overall goodness of fit including CFI, RMSEA and normed chi square is satisfactory for this model.

**Figure 1: Fit Indexes and Parameter Estimates of Structured Model**



In testing hypothesis, SEM follows the regression weight table. Following table (table 5) shows the hypothesized relationship between the independent and dependent variables. The value of critical ratio or CR equal or more than 1.96 shows the significant relationships between the constructs (Hair et al., 2010). Here the entire hypothesis except the relationship between religiosity and perception are found significant. Perhaps, respondents over reliance on other independent variables such as Halal-haram, legal consciousness, zakat knowledge, and tax knowledge reduce the effect of religiosity on perception. In other words, it can also be said that halal and haram issue is priorities over the religious motivation.

**Table 5: Hypothesized relationship Regression Weights: (Group number 1 - Default model)**

			Estimate	S.E.	C.R.	P	Hypothesis
Perception	<---	Religiosity	-.07	.05	-1.48	.14	Non-Significant
Perception	<---	Halal_Haram	.48	.08	5.74	***	Significant
Perception	<---	Legal_Consciousness	.20	.09	2.20	.03	Significant
Perception	<---	Zakat_Knowledge	.38	.18	2.12	.03	Significant
Perception	<---	Tax_Knowledge	.24	.05	4.99	***	Significant

### Conclusion and Recommendation:

There is no doubt that zakat is a very important matter in terms of Ibadah (prayer) and social obligation to the poor and deprived people of the society and country as well. It is also a fundamental base of Islamic economy to bring equilibrium between rich and poor of the society and also for strengthening the total economy of the nation and world large point of view. In spite of having these important considerations, it is a matter of great regrets that almost all of the Muslim majority countries except Sudan, Malaysia and Pakistan are not collecting and distributing zakat properly in spite of having positive perceptions towards tax rebate through zakat system. Tax rebate through zakat is a combined system of taxation where Muslim people can get rid of double taxation and be motivated towards paying zakat. This research found that halal-haram aspect of Islamic Shariah is a very positive influential factor for the Muslim consumers' perception towards the tax rebate system. On the other hand, legal consciousness and knowledge about tax and zakat are also considering positively significant factors for growing perceptions towards the tax rebate system. As there are not enough researches in this area, therefore, this study will definitely play an important leading role for the countries or policy makers or concerned zakat or tax institutions all over the world to initiate this system which is highly and positively perceived by the Muslim consumers.

### Limitations and Direction for the Future Research

It is obvious that there are some limitations of this research in terms of number of respondents, respondents who are not technologically advanced because this research was accomplished through online. Moreover, future study can be addressed with using mixed methods in analysing data (both qualitative and quantitative analysis). In addition, some moderation effects on the basis of different gender and races among the Muslims can also be tested.

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