PERCEIVED CORPORATE CREDIBILITY, SERVICE QUALITY, KNOWLEDGE AND SELF-EFFICACY WITH BUSINESS ZAKAT COMPLIANCE

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Abstract: The purpose of this research is to investigate the expectancy theory with zakat compliance action among firms in Kelantan. A study in Kelantan is a matter of how many companies in Kelantan know and are aware of business zakat. The questionnaire was distributed to respondents living in Kelantan, the public sector and the private sector from companies listed in zakat paying under the Islamic Religious & Customs Ceremony in Kelantan. The questionnaire was formed into six parts, one consisting of respondents’ demographic information and other parts related to zakat compliance by firms. Researchers have issued four independent variables that are considered perceived corporate credibility, service quality, knowledge and self-efficacy towards zakat compliance action among business by firms. From the analysis of the findings, it can be concluded that the key factor that determines the corporate zakat compliance behaviour is the service quality, knowledge and self-efficacy.

Keywords: Zakat compliance action, perceived corporate credibility, service quality, knowledge, self-efficacy, zakat on business, corporation
**Introduction**

Zakat is one of the five pillars in Islamic faith. The definition of zakat is an individual has to give a certain proportion of wealth each year to a person that needy. The word of zakat means “purification” and “growth”. By giving zakat means purifying one’s wealth to get Allah’s blessing to make it increase in goodness. The use of zakat is not only to purifies the property but also will purifies heart from selfishness and materialism. Paying zakat is Fard or compulsory.

There are two types of zakat which is zakat fitrah (al-fitr) and zakat from earnings (al-mal). Zakat al-fitr means a flat fee or levy imposed on each person. It’s started from 1st of Ramadan and ends before the eid’ fitr prayer. Zakat al-mal means a religious levy on wealth. It’s obligation to all Muslims to give 2.5% of wealth and asset every year to a person who is not capable. The amount of zakat that an individual need to pay depends on the amount of money and the type of assets of the individual. As stated by (Nur Barizah, 2010), zakat is the wealth between the close the gap between the rich and the poor. According to (Mohd, Al, & Saad, 2016) in the context of this study, attitude refers to the principal conduct of the corporation. The corporate behaviour towards zakat business is expected to have a relationship with zakat business. When the corporation is Muslim, the behaviour must have a positive relationship with the obedience of zakat on business because zakat is obligatory to Muslims.

The issue about business tax collection is higher than business zakat is arising because Muslim business community appears to be resisting in paying business zakat. Every Muslims has different level of knowledge and some of them are still lack awareness or are still confused about the subject of zakat obligation. Thus, there is still lack of literature review on business zakat.

In Malaysia, business entity is more likely to pay taxes than paying zakat. It is because if a company do not pay taxes, it will penalized but if a company do not pay zakat, it will not be given legal action. Some Muslim business entity pay zakat to get tax rebate not for the compliance by syariah. So, the lack of study about it. Therefore, this study is to examine the relationship between knowledge, attitude and al-wakalah with business zakat compliance in order to gain more understanding of business zakat compliance action among business entity in Kelantan. To achieve the benefits of business zakat, the effectiveness of zakat collection is very important. This study will examine the factors that influence the payment of Zakat and how it relates to the compliance by business entity of Zakat payments. Are the factors affecting business Zakat compliance by business entity?

**Literature Review**

**Zakat Compliance**

Compliance behavior is heavily influenced by external and internal factors of an individual. Compliance of zakat payment is closely related to religious obligations. (Kamil, 2002) extend the definition of compliance as the action of paying zakat according to the fatwa and regulation gazette by authorities of zakat which is known as Baitulmal. The conceptual definition of compliance in this study refers to the act of obeying an order, rule or request of zakat law.

Tax compliance is different from zakat compliance. Tax compliance is willingness of taxpayers to comply with tax laws for a country's economic balance (Feinstein, Erard, & Andreoni, 1998; Yarbrough & Song, 1978) Whilst, zakat is referred to one of the Islamic obligations required
whoever satisfy the necessary conditions to attain piousness and good soul (Nawi et al., 2011) in purification of oneself. It is clearly described in Surah al-A'laa which Allah has mentioned that "He indeed is successful who purifies himself" (Surah al-A'laa:14). It is obvious that zakat compliance concept is a concept where action of compliance is needed in order to fulfil the instructions and orders of the Almighty.

Zakat brings copious of benefits to its payer, recipients, and the zakatable wealth and to the surrounding society. Zakat is the third pillar of Islam and is a financial obligation to eligible Muslim on their wealth and themselves (al-Baqarah 2:43). The obligation to pay zakat, according to some contemporary scholars, does not pertain only to the syakhsiah tabi’iyyah of an individual Muslim who fulfilled the prerequisites of zakat payer eligibility (Muslim, a free man, full ownership of his wealth completeness of hawl and nisab) (Al-Muzani Ismail, n.d.). The obligation to pay zakat becomes mandatory as well to firms and institutions which are considered as separate legal entities. Thus, in Malaysia, zakat is obligatory on eligible individual Muslims and also on firms and institutions such as banks, cooperatives and etc.

S. Ahmad, Wahid, & Rahghni (2015) found that awareness to comply with zakat on business in Selangor is still low. The study found the likelihood of an increase in the payment of zakat occurs if the introduction of compliance logo to pay zakat was introduced. Another study revealed that the business owners of zakat attitude and business profitability are the factors that influence business zakat compliance among small and medium entrepreneurs (I. Muhammad, 2016). Other than that, (Wahid, Ahmad, & Kader, 2009) proved that 47.6 percent of respondents do not pay zakat, and this is due to the dissatisfaction with the distribution of zakat by zakat institutions.

**Expectancy Theory**

Expectancy theory (or expectancy theory of motivation) proposes act in a certain way or an individual will behave because they are motivated to choose a specific behaviour over from the other behaviours. It is because due to what that they expect the result of that they selected behaviour will be. Basically, the motivation of the behaviour selection is determined by the attractiveness of the result.

At the core of this theory is the reasoning process of how an individual processes the different motivational elements. This case can be done before making the ultimate choice. Actually, the outcome is not the only determining factor in making the decision of how to behave. There are three variables in expectancy theory which is instrumentality, valence and expectancy. Instrumentality means that an individual’s estimate about the probability that a given level of achieved that task performance will lead to various work outcomes. Valence means that the strength of an employee’s preference for any specific reward. For an example, reward that have more or less value to the individual employees, peer acceptance, promotion, recognition by supervisors or salary increase. Expectancy is a person’s estimation of the probability that job-related effort will result in a given level of performance.

**Perceived Corporate Credibility**

As stated by (Farah Mastura, 2015), perceived corporate credibility explain the perceptions of the customers toward the ability them to execute the promise and the sincerity. The relationship between perceived corporate credibility and zakat compliance behaviour is important because the positive perception of Zakat institution will influence the people or the corporations to pay the Zakat. Basically from the previous study, Zakat payers refuse to pay the Zakat because of
they have the negative perception towards Zakat institution (Farah Mastura, 2015). Consequently, the person will pay Zakat to the trustworthy person only that they feel eligible to receive the Zakat. This condition will lead to the lack of trustworthy and fairness to Zakat recipients because only Zakat institution has the information of the eligible zakat recipients.

**Service Quality**

According to (Ahmad et al., 2015), service quality can be defined as a customer's perception of how the service meets their needs. According to (Ahmad et al., 2015), satisfaction from service quality is usually assessed in terms of technical quality and function. Technical quality related to customers who do not have access to information on the technical aspects of the services. Functional quality is a key factor in establishing customer perceptions on the quality of zakat payment services. According to (Ahmad et al., 2015), quality is an important issue as customers want the best quality when making payments. The quality of paying zakat can increase Zakat accumulation as they feel comfortable when making Zakat payments in any institution of Zakat. The service of any zakat payment institution is the most important thing for Muslims who want to pay zakat.

**Knowledge**

According to (Saad et al., 2016), the definition of knowledge as the basic basis of information that a person needs to do. This knowledge refers to the basic basis of information on Zakat that a businessman needed to pay Zakat. As stated by (Saad et al., 2016), suggesting knowledge is to carry out compliance behavior. The study found that there was a significant relationship between religious knowledge and zakat. A study by (Saad et al., 2016) says that people who have a lot of knowledge about Zakat prefer to pay zakat and people who lack knowledge will not pay zakat. A study by (Danial et al, 2017) said that the level of understanding of Zakat payers in this study has less knowledge about Zakat. (Danial et al, 2017) says that Zakat is not charity and largely a form of worship. There are several effects that influence the level of understanding of payer Zakat which is the internal factor of the institution of Zakat itself.

**Self-efficacy**

Self-efficacy defined as a person’s faith about his/her ability to achieve a certain behavior (Bandura, 1986). According to (Bandura, 1986) a person’s self-efficacy can be established through reduce a person’s stress reaction. Vicarious experiences provided by social models, social persuasion and mastery experience. Self-efficacy characterized one of the aspects of perceived behavioural control in the Expectancy Theory (ET). Self-efficacy is personal judgements of one’s capabilities to establish and accomplish course of action to attain designated goals (Bandura, 1986). This study views that 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 behaviour.

**Methodology**

This study was applied a qualitative approach which will be conducted in two phases. The first phase is reviewing literature in relation to the zakat compliance and independent variables. The second phase involves the collection of data by distributed the questionnaires to 58 firms who are paid business zakat and listed by MAIK or State Religious Council (SRC) officers. The samples are identified by convenience sampling. On this research, the researcher selects the respondents from Kelantan only and the sample size for this study is limited to 58 firms who are paid business zakat and listed by MAIK. One company represent three respondents which answer by Board of Directors/CEO or who are decide for the decision making by company. Then the total number of respondents is 174 but only 112 was returned by respondents. Respondents was selected according to previous research by Adibah Wahab (2013).

**Result and Discussion**

**Introduction**

The data collected from the distribution of questionnaire were analyzed using the Statistical Package for Social Science software version 20 and presented using reliability analysis, correlation analysis, regression analysis and hypothesis test.
Result
The results of the analysis presented in the following Table 1, Table 2, Table 3 and Table 4.

Table 1: Reliability Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zakat compliance action</td>
<td>0.719</td>
</tr>
<tr>
<td>Perceived Corporate</td>
<td>0.607</td>
</tr>
<tr>
<td>Service Quality</td>
<td>0.728</td>
</tr>
<tr>
<td>Knowledge</td>
<td>0.712</td>
</tr>
<tr>
<td>Self efficacy</td>
<td>0.708</td>
</tr>
</tbody>
</table>

The above result indicates the result of Cronbach’s Alpha for 5 items under the dependent variable, which is Zakat compliance action by corporation. The result showed that the value for Cronbach’s Alpha is 0.719 which is in the range of 0.7 to < 0.8. The value of Cronbach’s Alpha can be considered as a good and all the items under this section are acceptable to be answered by the respondents.

Table 2: Correlation Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pearson Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zakat compliance action</td>
<td>1</td>
</tr>
<tr>
<td>Perceived Corporate</td>
<td>-0.001</td>
</tr>
<tr>
<td>Service Quality</td>
<td>0.294</td>
</tr>
<tr>
<td>Level of Understanding</td>
<td>0.560</td>
</tr>
<tr>
<td>Attitude</td>
<td>0.899</td>
</tr>
</tbody>
</table>

Based on table 4.3 above indicates the Pearson correlation analysis to see the relationship between the variables. The correlation value between independent and dependent variables. Perceived corporate credibility shows a very week negative relationship and the other variables show that there is moderate relationship with zakat compliance action by corporations.

Table 3: Summary for Overall Model

<table>
<thead>
<tr>
<th></th>
<th>Pearson correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.905</td>
</tr>
<tr>
<td>R Square</td>
<td>0.825</td>
</tr>
</tbody>
</table>
From the table 4.4, the values of R-squared and adjusted R-squared for this study are shows that 0.825 and 0.819 respectively. Based on the value of R square, 0.825 revealed that 82.5% of total variation in Zakat compliance action by corporation are explained by perceived corporate credibility, service quality, level of understanding of zakat payer and attitude towards zakat on business. The balance 17.5% is explained by the other factors.

Table 4: Hypothesis Testing Result and Significant Values

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Significant</th>
<th>Significant Value &lt;0.05</th>
<th>Decision</th>
<th>T-Test Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Corporate</td>
<td>Not Significant</td>
<td>0.431</td>
<td>Not Accepted</td>
<td>-0.791</td>
<td>Failed to reject Ho</td>
</tr>
<tr>
<td>Service Quality</td>
<td>Significant</td>
<td>0.013</td>
<td>Accepted</td>
<td>2.532</td>
<td>Reject Ho</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Significant</td>
<td>0.002</td>
<td>Accepted</td>
<td>3.113</td>
<td>Reject Ho</td>
</tr>
<tr>
<td>Self efficacy</td>
<td>Significant</td>
<td>0.000</td>
<td>Accepted</td>
<td>17.320</td>
<td>Reject Ho</td>
</tr>
</tbody>
</table>

Table 4 above shows the data finding for hypothesis analysis. The result above shows that the value of t-statistic for perceived corporate credibility is -0.791, service quality 2.532, knowledge is 3.113 and self-efficacy 17.320 which is more than 1.960. Therefore, reject null hypothesis. The result also shows that when using 0.05 as a significant level, the significant value of all the variables which is less than 0.05 exclude perceived corporate credibility because the value is 0.431 which is more than 0.05. It means that the Ha is accepted because the significant value is less than 0.05. The result shows a significant relationship between service quality, knowledge and self-efficacy.

**Conclusion**

This study was undertaken to create a better understanding about Zakat compliance action by corporation and also to know the factors that determine Zakat payment by corporation. This section will discuss about the conclusion for the data finding analysis and new models for the framework of this study. Based on the research by (Farah Mastura, 2015), said that the Zakat payer refuse to pay Zakat because have a perception negative towards Zakat institution. (Hafizah Zainal, 2016) mentioned that the role of Zakat institution in provide a service quality is an important factor to attract and influence the corporation to pay Zakat. As stated by (Daniel at el, 2017), usually the Zakat payer doesn’t have the basic knowledge about to pay the Zakat. According to (Farah Mastura, 2015), the attitude is the person that has favourable and unfavourable in performing or to do the behaviour.
References