

## **ZAKĀH COMPLIANCE BEHAVIOUR ON INCOME AMONG MUSLIM YOUTH IN KLANG VALLEY**

**Teh Suhaila Tajuddin<sup>1</sup>  
Aza Shahnaz Azman<sup>2</sup>  
Noraini Shamsuddin<sup>3</sup>**

### **ABSTRACT**

*Several studies have shown that the level of zakāh compliance varies by different age groups. When age and income increased, the awareness to pay zakāh also increased. However, compliance behaviour among youth to pay zakāh is low, and there is no assurance that level will increase as age increases. If the level of compliance does not improve, then potential to improve zakāh collection in the future is minimal. Therefore, it is very crucial to study the level of compliance behaviour on zakāh among youth and to identify factors influencing their obligation towards paying zakāh. This study was conducted to identify factors influencing zakāh compliance behaviour among youth in Klang*

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<sup>1</sup> Lecturer, Department of Accounting, Faculty of Management and Muamalah International Islamic University College of Selangor (KUIS), [tehsuhaila@kuis.edu.my](mailto:tehsuhaila@kuis.edu.my)

<sup>2</sup> Lecturer, Department of Economics, Faculty of Management and Muamalah International Islamic University College of Selangor (KUIS), [azashahnaz@kuis.edu.my](mailto:azashahnaz@kuis.edu.my)

<sup>3</sup> Lecturer, Department of Accounting, Faculty of Management and Muamalah International Islamic University College of Selangor (KUIS), [noraini.shamsuddin@kuis.edu.my](mailto:noraini.shamsuddin@kuis.edu.my)

*Valley, Malaysia. Data from 437 respondents were analysed using Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA). The results showed that youth understanding on zakāh and whether there are proper facilities influenced zakāh compliance behaviour on income significantly.*

**Keywords:** *zakāh compliance, zakāh on income, youth, understanding zakāh*

## INTRODUCTION

The obligation to pay *zakāh* is clearly explained in the Qur'an and Sunnah. However, many Muslims are unconcerned with paying *zakāh* on the income they earned.<sup>4</sup> Various parties should pay serious attention and take proactive measures in addressing the issue on the reluctance to give *zakāh*. Therefore, compliance towards giving *zakāh* is should be taught at the early age of every Muslim. Each Muslim individual must learn relevant knowledge of *zakāh* to enable them to understand and to further perform this obligation. It is found that age is a factor that influences the awareness of giving *zakāh* and ultimately gives a positive impact on the compliance behaviour of giving *zakāh*.<sup>5</sup> The increase of age in parallel to receiving income raised awareness to pay *zakāh*. Many Muslim individuals tend to pay *zakāh* only when their age and income increase.

There are many Muslims who only pay income tax but not *zakāh* on income even though they meet the obligation.<sup>6</sup> They give more priority to the former rather than the latter because they fear disobeying the law and tax compliance laws are very clear and often publicised to the general public. Moreover, this situation is caused by a lack of motivation towards paying *zakāh*.<sup>7</sup> Meanwhile, employees who are subject to a scheduler tax are automatically eligible to pay

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<sup>4</sup> Ab Rahman, A., Mohd Sobali, A. & Syed Omar, S.M.N., *Keengganan Membayar Zakat Menurut Perspektif Syarak dan Perundangan Islam di Malaysia* (Bandar Baru Nilai: USIM Publisher, 2012).

<sup>5</sup> Jaffar, M. A. , Affif, A., Amri, H. & Sahezan, C. N., 'A Study on the Factors Attribute to Non Participation of Zakat Income Among the Muslim Community in Selangor,' (2nd International Conference on Business and Economic Research Proceeding, Langkawi, Kedah, 2011).

<sup>6</sup> Muda, M., Marzuki, A. & Shahrudin, A., 'Factors Influencing Participation in Zakat Contribution: Exploratory Investigation,' (Seminar for Islamic Banking and Finance, Kuala Lumpur, 2006), 1-10.

<sup>7</sup> Muda, M., Marzuki, A. & Shahrudin, A., 'Factors Influencing Participation in Zakat Contribution: Exploratory Investigation,' 1-10.

*zakāh* on income.<sup>8</sup> This is because their salary income is among those whose income exceeds the *niṣab*, which is about RM3,000.

There have been many previous studies regarding the factors influencing *zakāh* compliance on earnings or income among Muslims in Malaysia.<sup>9</sup> Previous studies have emphasized the importance of age in the compliance of *zakāh* as well as the potential of youth in paying *zakāh* on salary.<sup>10</sup> Those studies indicated that compliance in *zakāh* increased when age also increased. This was due to the rise of salary aligned with the older age. In addition, research findings (using the Binomial Logistic Regression method) specifically indicated that if the age variable increased by 1 unit it would increase individual *zakāh* compliance by 71.1%.<sup>11</sup> These findings showed that youth have great potential for paying *zakāh* on income.

Some justification has been debated among the public regarding the idea that the salary of youth is typically low and does not exceed the *niṣab*. They may have also not been aware about whether they have exceeded the *niṣab* or not. Some might also not know the procedures on how to pay *zakāh*, as compared to income tax which is automatically deducted through the scheduler tax system by employers. Since motivation and awareness about *zakāh* are also influenced by age factors,<sup>12</sup> thus knowledge and religiosity factors might also

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<sup>8</sup> Md Idris, K., 'Kesan Persepsi Undang-Undang dan Penguatkuasaan Zakat Terhadap Gelagat Kepatuhan Zakat Pendapatan Gaji,' (The Paper in Islamic Economics and Finance No: 0204, 2002).

<sup>9</sup> Md Idris, K., 'Kesan Persepsi Undang-Undang dan Penguatkuasaan Zakat Terhadap Gelagat Kepatuhan Zakat Pendapatan Gaji,'; Muda, M., Marzuki, A. & Shahrudin, A., 'Factors Influencing Participation in Zakat Contribution: Exploratory Investigation,' 1-10; Wahid, H., Ahmad, S. & Mohd Nor, M.A., 'Kesedaran Membayar Zakat Pendapatan di Malaysia,' *Islamiyyat*, vol. 29 (2007): 53-70.

<sup>10</sup> Wahid, H., Mohd Nor, M.A & Ahmad, S., 'Kesedaran Membayar Zakat: Apakah Faktor Penentunya?' *IJMS*, 12/2 (2005): 171-189; Wahid, H., Ahmad, S. & Mohd Nor, M.A., 'Kesedaran Membayar Zakat Pendapatan di Malaysia,' 53-70; Jaffar, M. A. , Affif, A., Amri, H. & Sahezan, C. N., 'A Study on the Factors Attribute to Non Participation of Zakat Income Among the Muslim Community in Selangor,' (2nd International Conference on Business and Economic Research Proceeding, Langkawi, Kedah, 2011).

<sup>11</sup> Wahid, H., Mohd Nor, M.A & Ahmad, S., 'Kesedaran Membayar Zakat: Apakah Faktor Penentunya?' 171-189.

<sup>12</sup> Wahid, H., Mohd Nor, M.A & Ahmad, S., 'Kesedaran Membayar Zakat: Apakah Faktor Penentunya?' 171-189.

influence compliance behavior among the youth. Motivation and awareness of *zakāh* responsibility can be generated through knowledge of *zakāh*.<sup>13</sup>

Other than the above, other studies also highlighted the importance of facilities towards performing *zakāh*.<sup>14</sup> The easier the mechanism to pay *zakāh*, the higher *zakāh* collection. This factor is closely related with the internal factor of *zakāh* institutions; how efficient they are in providing good service such as online payments, ATMs, SMS, and mobile *zakāh* counters which may be easily found by the public.

However, the question is, are youth's salaries typically below the *niṣab*? Or are they just being ignorant? Thus, this study attempts to find the answer whether all are non-compliant with *zakāh* due to lower income. If they fulfil the *zakāh* obligation, what would be the motivation for them to do so? Do the factors of knowledge and religiosity play an important role, or are they motivated by any other factors such as good facilities and updated technology used for payment.

## **ZAKĀH COMPLIANCE AMONG MUSLIM SOCIETY IN MALAYSIA**

Compliance attitude is heavily influenced by external and internal factors of an individual. The payment of *zakāh* is closely related to religious obligations. Although the *zakāh* on income is considered *ikhtilāf* property, it is still categorised as compulsory based on the *fatawā* in respective Malaysian states. Therefore, individuals who do not pay *zakāh* on income are considered as disobeying his or her religious duties.<sup>15</sup> Therefore, this action represents less piety of the respective individual.<sup>16</sup>

A study conducted on analysing the awareness level of paying *zakāh* on income among professionals shows that there is positive relationship between

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<sup>13</sup> Mohd Nor, M. A., Wahid, H., & Md. Nor, N.G., 'Kesedaran Membayar Zakat di kalangan Professional Universiti Kebangsaan Malaysia,' *Islamiyyat*, vol. 26/2 (2004): 59-67.

<sup>14</sup> Wahid, H., Ahmad, S. & Mohd Nor, M.A., 'Kesedaran Membayar Zakat Pendapatan di Malaysia,' *Islamiyyat*, 29 (2007): 53-70; Ahmad, S., & Zulkifli, 'Model Gelagat Pematuhan dan Pengelakan Zakat: Satu Tinjauan Teori,' (Seventh Conference-The Tawhidi Epistemology: Zakat and Waqf Economy, Bangi, 2010).

<sup>15</sup> Wahid, H., Ahmad, S. & Mohd Nor, M.A., 'Kesedaran Membayar Zakat Pendapatan di Malaysia,' 53-70

<sup>16</sup> Ghazali, A., *Zakat: Satu Tinjauan* (Petaling Jaya: IBS Buku Sdn. Bhd., 1998).

piety and compliance.<sup>17</sup> This study found that piety and knowledge of *zakāh* law greatly influenced compliance to pay *zakāh*.<sup>18</sup>

There are some individuals who assume payment of tax is equivalent to the payment of *zakāh*.<sup>19</sup> However, the fact is that the actions of both obligations are clearly very different because the tax instrument acts as one of the elements in improving the country's economy.

## **UNDERSTANDING OF GIVING ZAKĀH**

Generally, in Malaysia, *zakāh* on income is compulsory as decided by the National Fatwa Council 1997. However, Perak is the only state that has not obligated *zakāh* on income since 2004. Although there are discrepancies in the fatwa from the point of law, efforts to educate the public on the importance of *zakāh* on income need to be done since there are people who pay *zakāh* though they reside in the state and it is not obligatory on them.<sup>20</sup>

Awareness and compliance to pay *zakāh* can be increased if relevant knowledge of *zakāh* is continuously given in all walks of life, whether formally or informally. This is proven through studies on the awareness factors of paying *zakāh*.<sup>21</sup> The study found that *zakāh* knowledge and piety are the factors which make it paying *zakāh* more probable. Knowledge contributes in increasing piety and subsequently gives awareness to individuals to pay *zakāh*.

The knowledge of *zakāh* is often correlated to studies regarding awareness, determinant factors, and the motivation to pay *zakāh*. For example, one study found that internal factors such as social responsibility towards the community and awareness on the existence of the right of others on income earned are

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<sup>17</sup> Mohd Nor, M. A., Wahid, H., & Md. Nor, N.G., 'Kesedaran Membayar Zakat di kalangan Professional Universiti Kebangsaan Malaysia,' 59-67.

<sup>18</sup> Ahmad, S., & Wahid, H., 'Sumber Zakat: Perluasan Terhadap Harta yang Diikhtilaf,' *Islamiyyat*, 27 (2005): 45-65.

<sup>19</sup> Mohd Hassan, A. H., 'Antara Zakat dan Cukai Pendapatan: Satu Analisis Penyelarasan,' (The paper was presented in the Zakat and Income Tax Seminar at USM Matriculation Centre, 5<sup>th</sup> - 6<sup>th</sup> November 1998).

<sup>20</sup> Wahid, H., Ahmad, S. & Mohd Nor, M.A., 'Kesedaran Membayar Zakat Pendapatan di Malaysia,' 53-70.

<sup>21</sup> Mohd Nor, M. A., Wahid, H., & Md. Nor, N.G., 'Kesedaran Membayar Zakat di kalangan Professional Universiti Kebangsaan Malaysia,' 59-67.

major factors.<sup>22</sup> Researchers also concluded that the above two factors are closely related to the importance of spreading knowledge and education of *zakāh* to the public.

Several other studies<sup>23</sup> also indicated the importance of knowledge as a driving factor towards paying *zakāh*. Another study indicated that the level of individuals' awareness is closely related to piety and the level of knowledge about *zakāh*.<sup>24</sup>

## CONVENIENCE OF ZAKĀH PAYMENT MECHANISM

It is found that the easier the *zakāh* payment mechanism, the higher amount of *zakāh* can be collected.<sup>25</sup> *Zakāh* collection and the distribution process are continuous processes that should be undertaken by *zakāh* institution systematically, faithfully, and efficiently. Therefore, the medium or channels of *zakāh* payment that are relevant to the current situation need to be introduced to the Muslim community. However, in the meantime, the conventional method of payment should not be waived. This is because the integration of the method of traditional and modern *zakāh* payment is able to boost the amount of *zakāh* collection every year.

One of the most significant facilities introduced by the *zakāh* institution is payment through salary deduction. The effort to educate and encourage people to do salary deduction has had significant influence over *zakāh* payment.<sup>26</sup> This result shows that the easier the medium of payment, the higher the possibility of *zakāh* compliance. Selangor has taken an advanced step where the fatwa

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<sup>22</sup> Abu Bakar, N.B. & Abdul Rashid, H. M., 'Motivations of Paying Zakat on Income: Evidence from Malaysia,' *International Journal of Economics and Finance*, 2/3 (2010): 76-84.

<sup>23</sup> Saad, R.A.J., Bidin, Z., Md. Idris, K. & Md. Hussain, M.H., 'Faktor-Faktor yang Mempengaruhi Gelagat Kepatuhan Zakat Perniagaan,' *Management Journal*, 30 (2010): 49-61; Jaffar, M. A., Affif, A., Amri, H. & Sahezan, C. N., 'A Study on the Factors Attribute to Non Participation of Zakat Income Among the Muslim Community in Selangor,' (2nd International Conference on Business and Economic Research Proceeding, Langkawi, Kedah, 2011).

<sup>24</sup> Mohd Nor, M. A., Wahid, H., & Md. Nor, N.G., 'Kesedaran Membayar Zakat di kalangan Professional Universiti Kebangsaan Malaysia,' 59-67.

<sup>25</sup> Wahid, H., Mohd Nor, M.A & Ahmad, S., 'Kesedaran Membayar Zakat: Apakah Faktor Penentunya?' *IJMS*, 12/2 (2005): 171-189.

<sup>26</sup> Wahid, H., Ahmad, S. & Mohd Nor, M.A., 'Kesedaran Membayar Zakat Pendapatan di Malaysia,' 53-70.

regarding *zakāh* income, gazetted in 2001, required all Muslim employees of the federal government, statutory bodies, state government, agencies, and subsidiary companies serving at the state of Selangor, to pay *zakāh* through salary deduction.<sup>27</sup>

Lembaga Zakat Selangor (LZS), as early as 2004, has put serious effort in ensuring the payment of *zakāh* be possible online.<sup>28</sup> Meanwhile, LZS and Pusat Pungutan Zakat Wilayah (PPZ) had started introducing payment of *zakāh* through ATM machines with the collaboration of Bank Islam.

In addition, the use of information technology and communication in *zakāh* matters has been proposed.<sup>29</sup> Since the youth are very close with information technology, this opportunity should be manipulated for a good purpose. Normally youth, are very attracted to social network for the purpose of communication, getting information, and for fun.<sup>30</sup> Youth whom were classified as versatile and optimistic IT users are always eager to explore new medium of social network communication. Thus, the *zakāh* institution should start embracing this kind of communication in delivering information on *zakāh* and educate the youth.

Previous studies have also shown that technology plays an important role towards level of efficiency and effectiveness of institutions.<sup>31</sup> Thus, the potential for youth to pay *zakāh* will be also influenced by the application of technology. Furthermore, that same study showed that the method of *zakāh* payment which used the latest technology, such as online payment, ATM. and SMS, were able to attract youth towards fulfilling their *zakāh* obligation.

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<sup>27</sup> Abu Bakar, N.B. & Abdul Rashid, H. M., *Motivations of Paying Zakat on Income: Evidence from Malaysia*.

<sup>28</sup> Md. Badarudin *et al.*, *Kajian Aplikasi Sistem dalam Pelaksanaan Zakat Berkomputer di Negeri Melaka* (Melaka: UiTM Cawangan Melaka, 2004).

<sup>29</sup> Md. Badarudin *et al.*, *Kajian Aplikasi Sistem dalam Pelaksanaan Zakat Berkomputer di Negeri Melaka*.

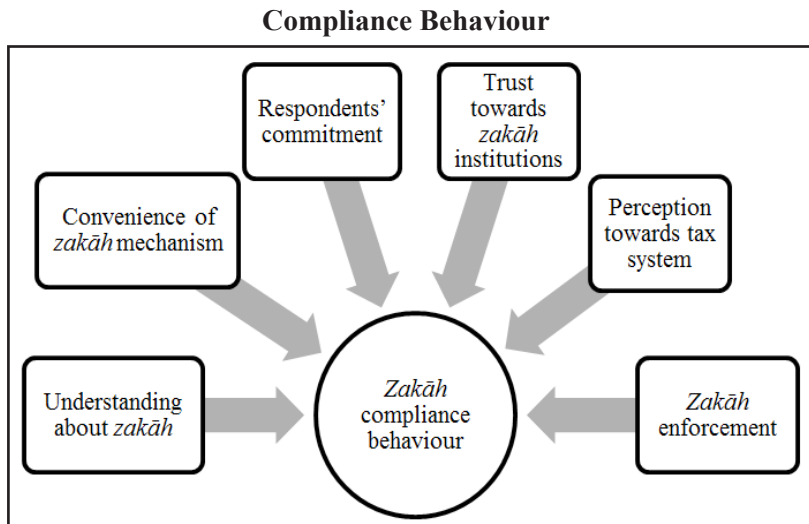
<sup>30</sup> Mustafa, S.E. & Hamzah, A., 'Media Sosial: Tinjauan Terhadap Laman Jaringan Sosial dalam Talian Tempatan,' *Jurnal Pengajian Media Malaysia*, 12/2 (2010).

<sup>31</sup> Asmad, N. & Azudin, A., *Persepsi Pelajar Terhadap Penggunaan Teknologi Maklumat dan Komunikasi (Ict) sebagai Medium Dakwah* (Skudai, Johor: Universiti Teknologi Malaysia, 2011); Muharman Lubis *et al.*, 'Enhancement of Zakat Distribution Management System: Case Study in Malaysia,' (International Management Conference Paper, Kuala Terengganu, Terengganu, 2011).

## THEORETICAL FRAMEWORK

This study attempts to estimate the probability of a relationship between the level of compliance of giving *zakāh* as a latent variable and observation variables involving the perception of youth towards six factors that are expected to influence the level of compliance of giving *zakāh*. These include the factors of understanding *zakāh*, convenience of the facilities provided by *zakāh* institutions, respondents' commitment, trust towards *zakāh* institutions, perception towards the tax system, and *zakāh* enforcement. This study will identify the key factors affecting respondents' decision to perform *zakāh* on income.

**Figure 1: Framework on Factors Contributing towards *Zakāh***



Source: Adapted from Ahmad and Zulkifli (2010)

## METHODOLOGY

### 1. The Sampling and Data Collection Procedure

This study was conducted in Klang Valley covering six cities namely Ampang (15.2%), Cheras (15%), Kajang (15%), Kuala Lumpur (15.3%), Shah Alam (15.2%) and Petaling Jaya (15.3%). These largest metropolitan areas were chosen given that the youth in these areas were expected to earn higher incomes as compared to other areas. By using the cluster sampling method, 450 samples



were identified. Due to incomplete responses, only 437 respondents among youth with income and working within either the public or private sectors were collected. The industry which related to respondents' working organisations was divided into several types, namely electricity and gas supply, construction, mining and exploration, agriculture, transportation, finance, education, and others. A subset of strata has been selected under the primary sampling unit of youth between age of 21 years old up to 40 years old. The youth age is defined by the Ministry of Youth and Sports in Malaysia.

## **2. Instrumentation**

The survey method was implemented for the purpose of quantitative research data collection. Questionnaires were used as the research instrument in order to measure the understanding about *zakāh* and the convenience of *zakāh* payment facilities towards the compliance level. The questionnaires were distributed to executive non-executive respondents from various industries.

## **RESEARCH FINDINGS**

### **1. Reliability Analysis**

By using Exploratory Factor Analysis (EFA), the reliability test for each construct was obtained. Only the highest two constructs were used for this study. The constructs are an understanding about *zakāh* and the convenience of facilities. The level of reliability test conducted for each construct is shown in Table 1. These findings indicate that the highest level of Cronbach's alpha is the understanding about *zakāh* (0.919) followed by the convenience of facilities (0.897). Reliability towards these variables is important because it influences the perception of respondents in assessing the questions. From these constructs, it is summarized by six factors, namely the understanding about *zakāh*, convenience of the facilities provided by *zakāh* institutions, respondents' commitment, trust towards *zakāh* institutions, perception towards tax system, and *zakāh* enforcement.

**Table 1: Reasons for Compliance in Paying *Zakāh* on Salary Income**

Factors	Cronbach Alpha ( $\alpha$ )
Understanding about <i>zakāh</i>	0.919
Convenience of facilities	0.879

Source: Field Work 2014.

## 2. Descriptive Analysis

For data analysis, descriptive statistics (frequency, mean, and percentage) and statistical inference (regression test and significant test) were performed using SPSS. The findings showed that the majority of respondents were female (53.1%). The highest age group of respondents was from 26 years old to 30 years old (42.6%) and hold executives posts (57.4%). It is interesting to note that the majority of respondents are classified as junior executive given that they have a working experience of less than three years. Even though they are still new to their job, they are already qualified to pay income tax as they earn an estimated monthly household income between RM3,001 to RM6,000. Therefore, it is predicted that the same group of respondents should also eligible to pay *zakāh* on the income that they have earned. The details of the background information of the respondents was collected and presented in Table 2:

**Table 2: Demography Characteristics of the Respondents**

No.	Variables	Frequency	Percentage (%)
1.	Gender		
	Male	205	46.9
	Female	232	53.1
2.	Age		
	21 to 25 years old	59	13.8
	26 to 30 years old	182	42.6
	31 to 35 years old	103	24.1
	36 to 40 years old	83	19.4
3.	Position		
	Executive	234	57.4
	Non-Executive	174	42.6

No.	Variables	Frequency	Percentage (%)	
4.	Industry	Electricity and gas supply	42	9.7
		Construction	3	0.7
		Mining and exploration	31	7.2
		Agriculture	36	8.4
		Transportation and communication	161	37.4
		Financial	73	16.9
		Education	3	0.7
		Others	82	19.0
5.	Working Experience	Less than 3 years	94	21.6
		3 - 4.9 years	84	19.3
		5 - 6.9 years	76	17.4
		7 - 9.9 years	48	11.0
		More than 9 years	134	30.7
6.	Employment Status	Permanent	387	88.6
		Temporary	50	11.4
7.	Status of Marriage	Bachelor	178	40.7
		Married	259	59.3
8.	State of Residence	Selangor	342	78.3
		Wilayah Persekutuan	67	15.3
		Others	28	6.4
9.	Highest Education Background	SPM, PMR/SRP, Certificate and below	76	17.4
		Diploma and TPM/STAM	125	28.6
		Bachelor Degree	199	45.5
		Master and above	37	8.5

No.	Variables	Frequency	Percentage (%)	
10.	Estimated Monthly Household Income	Less than RM3,000	163	37.4
		Between RM3,001 and RM6,000	182	41.7
		Between RM6,001 and RM9,001	54	12.4
		Between RM9,001 and RM12,000	27	6.2
		Between RM12,001 and RM15,000	6	1.4
		More than RM15,000	4	0.9
11.	Number of Children	1 child	57	30.5
		2 children	65	34.8
		3 children	44	23.5
		4 children	13	7.0
		5 children	7	3.7
		6 children	1	0.5
12.	BRIM Recipient	Yes	77	17.8
		No	355	82.2

Source: Field Work 2014.

### 3. Data Validity Via Factor Analysis

In order to measure the level of compliance of *zakāh* and taxation on employment, the respondents' frequency is shown in Table 3. The majority of respondents (68.4%) stating that they are income tax payers. Meanwhile, 41.2% of respondents stated that they pay *zakāh* on their income. If the respondents who are eligible to pay taxes also pay *zakāh*, then it is anticipated that a total of 68.4% of the respondents are obligated to pay *zakāh*. But there is a difference of 27.2% between the level of tax and *zakāh* compliance on income. Therefore, the findings of this study showed that only 41.2% of respondents paid *zakāh* on salary while 27.2% are expected to pay *zakāh*, but fail to do so.

This situation proves that there are still Muslims who only pay income tax, but not *zakāh* on their income. This finding is in line with a study carried out which found that many Muslims do not perform the obligation of *zakāh* on income, but only perform their income tax liability.<sup>32</sup> This situation has occurred due to several factors such as strict law enforcement on income tax but low motivation performing the *zakāh* obligation.

With reference to the findings one study states that employees who are subject to tax are automatically entitled to *zakāh* on employment or income.<sup>33</sup> However, the findings of this study showed that there is a difference of 27.2% who have paid income tax, but failed to pay *zakāh*. This might be due to the fact that tax law enforcement is very stringent in this country. This imbalance should not occur because *zakāh* alms is a mandatory pillar of the Islamic religion, while income tax liability is the responsibility towards the nation. As a Muslim, *zakāh* obligation on salary or employment income cannot be denied even though a Muslim has fulfilled his income tax responsibility.

**Table 3: The Level of *Zakāh* and Tax Compliance**

No.	Variables		Frequency	Percentage (%)
1.	Income Taxpayer	Yes	292	68.4
		No	135	31.6
2.	<i>Zakāh</i> on Salary Income Payer	Yes	179	41.2
		No	255	58.8

Source: Field Work 2014.

Table 4 and Table 5 show the results of a CFA (Confirmatory Factor Analysis). This analysis is to test whether a selected construct is set to influence the responses in a predictable way. Table 3 indicates the ‘understanding about *zakāh*’ factor contributed by six main items based on the capacity and communality values of a close relationship with compliance variables. The highest capacity score (0.802) corresponds to the item of fulfilling the rights *asnaf* (those who are in need) and secondly is *zakāh*, which can purify

<sup>32</sup> Muda, M., Marzuki, A. & Shaharuddin, A., ‘Factors Influencing Participation in Zakat Contribution: Exploratory Investigation,’ (Seminar for Islamic Banking and Finance 2006), 1-10.

<sup>33</sup> Md Idris, K., ‘Kesan Persepsi Undang-Undang dan Penguatkuasaan Zakat Terhadap Gelagat Kepatuhan Zakat Pendapatan Gaji,’ (The Paper in Islamic Economics and Finance No: 0204, 2002).

wealth (0.781). Result also shown that each of the questions indicated a high communality more than (0.6) and that one should be in a good shape to determine the questions that will be an influencing factor. Whereas the mean for each of the questions also shows that the majority of respondents agreed to the behaviour of understanding about *zakāh*. In conclusion, the results of the understanding factor analysis showed that respondents fulfilled the obligation of *zakāh* on income based on the encouragement to fulfil their religious duties.

**Table 4: The Test Results of Factor Analysis for Understanding about *Zakāh* Factor**

Items	Capacity Factor	Mean <sup>1</sup>	Communality
(1) Awareness on other’s rights on income	0.696	4.37	0.530
(2) Believe in the blessings of paying <i>zakāh</i>	0.613	4.56	0.554
(3) Seek for the pleasure of Allah SWT	0.722	4.74	0.535
(4) Fulfilling the rights of <i>asnaf</i> who are in need	0.802	4.66	0.678
(5) <i>Zakāh</i> purifies wealth	0.781	4.65	0.635
(6) <i>Zakāh</i> develops the economy of Muslim’s community	0.767	4.62	0.638

Note: Mean based on Likert scale score; score 1=strongly disagree to score 5= strongly agree  
 Bartlett’s test of sphericity: Significance on 1%  
 Cronbach’s alpha ( $\alpha$ ) = 0.919; score= 0.70 and above explained the integrity of scale

Source: Field Work 2014.

Table 5 indicates the ‘facility factor’ contributed by five main items based on the capacity and communality scores of a close relationship with compliance variables. The highest capacity factor refers to the item of *zakāh* counter (0.816) and facilities at the *zakāh* collection centres use modern and easy applications (0.755). The highest communality (0.737) was performed by question (2) where people agreed that the accessibility of the *zakāh* counter can be found easily throughout the Klang Valley. All communality extracted by the questions are extremely high and more than (0.6) and are much more influential to the contribution of *zakāh* compliance. In conclusion, the test results of the ‘facilities’ factor analysis showed that respondents were more likely to use technology that is easily accessible.

**Table 5: The Test Results of Factor Analysis for Facility Factor**

Items	Capacity Factor	Mean <sup>1</sup>	Communality
(1) <i>Zakāh</i> counter services are efficient	0.647	4.16	0.642
(2) <i>Zakāh</i> counter can be found easily	0.816	3.92	0.737
(3) Using modern and easy applications	0.755	4.00	0.659
(4) Many <i>zakāh</i> agents and easily reachable	0.728	4.09	0.632
(5) Satisfied with the information of <i>zakāh</i> on salary income	0.717	3.99	0.650

Note: Mean based on Likert scale score; score 1=strongly disagree to score 5= strongly agree  
 Kaiser-Meyer-Olkin measures of sampling adequacy =0.872  
 Bartlett's test of sphericity: Significance on 1%  
 Cronbach's alpha ( $\alpha$ ) = 0.879; score=0.70 and above explained the integrity of scale

Source: Field Work 2014.

Based on the discussion of the previous findings, some minor modification has been identified to increase the level of compliance among the youth in performing *zakāh* on income. With reference to the difference in the percentage of respondents who pay income tax and *zakāh* on income, (i.e. 27.2%), there are several aspects that need to be refined regarding the understanding of rebates and enforcement of laws on *zakāh* obligation.

The outcome of this study shows that the majority of respondents did not know (59.7%) that there are *zakāh* rebates that can be claimed in individual income tax. This is because they thought that the burden of paying *zakāh* and taxation have been made on the same sources of income. The fact is that once *zakāh* on income is performed then payers will be entitled to a rebate which will reduce the tax payable to the income tax authority. Therefore, the issue of double payment on the same source of income should not arise. Thus, the *zakāh* institutions should educate the Muslim society that the individual who has to pay *zakāh* on income is entitled to claim a rebate from the taxation system in Malaysia. These realities need to be voiced out to the Muslim community so that the extent of compliance of *zakāh* can increase.

#### 4. Cross-Tabulation Analysis

This analysis was conducted to identify the relationship between age and the compliance behaviour towards *zakāh* on income. Based on the results shown in Table 5, there is a significant relationship between the two. Results from cross-tabulation analysis between the two variables indicated that youth aged 26 to 30 years are the highest group (17.2%) who are performing *zakāh* on income. Thus, it is concluded that the level of age does not affect the level of *zakāh* compliance. Level of strength relationship between the age category and level of compliance on *zakāh* is moderate i.e.  $c = 0.156$ .

**Table 6: The Relationship Between Ages and *Zakāh* Compliance Behaviour on Salary Income**

Age Category	Are you Paying <i>Zakāh</i> on Salary Income		Total %
	Yes	No	
	%	%	
21 years old - 25 years old	4	9.7	13.7
26 years old - 30 years old	17.2	25.2	42.5
31 years old - 35 years old	8.7	15.6	24.3
36 years old - 40 years old	10.6	9.0	19.6
<b>Total</b>	40.5	59.5	100

Chisq=10.38,  $p=0.016$ ,  $c=0.156$

Source: Field Work 2014.

#### CONCLUSION AND FUTURE RECOMMENDATION

Based on the findings of the study through factor analysis using CFA methods, understanding about *zakāh* is the main factor that influences the compliance of *zakāh* on income among respondents. It is represented by the highest Cronbach's alpha ( $\alpha$ ) score of 0.919, which shows the respondents performed the obligation of *zakāh* on salary income based on the encouragement to fulfil religious obligatory. The highest capacity score (0.802) corresponds to the item of fulfilling the rights of *asnaf* who are in need and secondly to purify wealth (0.781). It is followed by the convenience of *zakāh* payment facilities with its Cronbach's alpha ( $\alpha$ ) score of 0.897. The highest capacity factor refers



to the item of *zakāh* counters and whether they can be found easily (0.816) and whether facilities at the *zakāh* collection centres use modern and easy accessible applications (0.755). The results of the facilities factor analysis showed that respondents were more likely to use technology that is easily accessible.

It is interesting to note that there is a significant relationship between age and the level of compliance behaviour of *zakāh*. This has been evidenced by the cross-tabulation analysis which shows that youth aged 26 to 30 years old are the highest group (17.2%) who are performing *zakāh* on income. Thus, it can be concluded that the increase in age does not affect the level of *zakāh* compliance behaviour.

Several strategic measures have been identified as a result of these findings. *Zakāh* institutions should provide understanding to the public that those who pay *zakāh* on income are eligible for a rebate. The results from the findings of the study indicate that most respondents (59.7%) did not know about said rebate. They believed that once they have paid the income tax, then they do not have to pay *zakāh* on income. This judgement confirmed that they have a lack of understanding towards *zakāh* rebate. In Malaysia, for an individual who wants to pay income tax based on chargeable income earned, the income tax to be paid can be further reduced by claiming the *zakāh* rebate with condition that the *zakāh* is already paid during the assessment year. However, the rebate amount cannot exceed the total tax to be paid. So, it is clearly indicated that there is no issue on the double assessment on the same source of income by Muslim individuals.

For policy implications, it is suggested that the *zakāh* institution is requiring the compulsory deduction of monthly *zakāh* scheduled for all private or Government organizations through *zakāh* circular. This effort is a comprehensive step in instilling awareness to purify wealth or income earned - in addition to get blessings and the love of Allah SWT. The implementation of legal action is also necessary if a Muslim fails to pay *zakāh* on salary income and other properties. There is no doubt that ongoing *da'wah* and campaign efforts are being optimised by the management of *zakāh* and the results are very encouraging with the increase in the collection of *zakāh* every year. However, for these efforts to truly prosper, it is desirable that law enforcement action be undertaken.

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