

**INTENTION TO PAY ZAKAH ON EMPLOYMENT
INCOME AMONG MANUFACTURING EMPLOYEES
IN PENANG**

IDA HUSNA BINTI HEDZIR

**UNIVERSITI UTARA MALAYSIA
2009**

**INTENTION TO PAY ZAKAH ON EMPLOYMENT INCOME
AMONG MANUFACTURING EMPLOYEES
IN PENANG**

A thesis submitted to the Graduate School in partial
fulfillment of the requirement for the degree
Master of Business Administration (Accounting)

By
Ida Husna Binti Hedzir

© Ida Husna Binti Hedzir, 2009. All Rights Reserved

DECLARATION

I certify that the substance of this thesis has not been already been submitted to any degree and is not currently being submitted for and other degree qualification.

I certify that any help received in preparing this thesis and all sources used have been acknowledged in this thesis.

Ida Husna Binti Hedzir

88126

College of Business

Universiti Utara Malaysia

06010 Sintok

Kedah

17 May 2009

PERMISSION TO USE

In presenting this dissertation in partial fulfillment of the requirement for a postgraduate degree from Universiti Utara Malaysia, I agree that the University Library may make it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor(s) or, in absence, by the Deputy Vice Chancellor of College of Business. It is understood that any copying or publication or use of this thesis or parts thereof for financial gain should not be allowed without my written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Request for permission to copy or to make other use of materials in this thesis, in whole or in part, should be addressed to:

**Deputy Vice Chancellor of College of Business
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman**

ABSTRACT

Previous research on zakah on employment income amongst public and private sector employees has been done before but not amongst manufacturing employees. In Penang, manufacturing employee can potentially be significant contributors to zakah on employment income.

Basically this study examines the relationship between attitude, subjective norm and perceived behavior control on zakah compliance intention on manufacturing employees in the Free Industrial Trade Zone Bayan Lepas Penang, using theory of planned behavior. One hundred and seventy three complete questionnaires that measured attitude (ATT), subjective norm (SN), perceived behavior control (PBC) and intention (ITT) to pay zakah on employment income were returned. The findings of the study show that attitude (ATT) and perceived behavior control (PBC) significantly influence intention to comply with zakah on income. Subjective norm (SN), however, did not show any significant influence on zakah compliance. In general, the study reveals that theory of planned behavior is capable in predicting zakah compliance intention and hence zakah compliance behavior. The findings of the present study can be used for the institution of zakah and policy makers to promote and educate the general public as to the importance of zakah on employment income. The implication of the findings to future research and the limitations of the present study are also highlighted.

KEYWORDS: Attitude, Subjective Norm, Perceived Behavior Control, Intention, Zakah

ACKNOWLEDGEMENT

Alhamdulillah, I am very grateful to Allah S.W.T for His blessing and mercy that after all my hard work and patience as a part time student, I was finally able to complete this thesis which is part of requirement to fulfill the study program.

I wish to take this opportunity to thank individuals or institution that has been helpful and instrumental in my research Endeavour. First and foremost, I would like to thank my supervisor, Dr. Zainol Bidin, for his greatest support, constructive comments, suggestion and motivation throughout the supervision period. I know that my thanks and gratitude will not commensurate his patience, time and guidance given to me towards the accomplishment of this thesis.

I would like to extend my gratitude to my team at work especially my supervisor, Mdm. Zahara Ismail for her encouragement and support that has inspired me to complete this thesis. Special gratitude also goes to Nurul Huda Ahmad for her care and her willingness to share her knowledge with me that has helped me a lot in this journey.

To all who have been involved directly or indirectly in helping me finish this thesis, you know who you are, my sincere gratitude. Finally, I would like to dedicate my special thanks to my love one, Sharul Azmi, for his continuous patience and support throughout my study. To my family in Penang and Selangor especially my father, thank you for endless love and prayer.

Ida Husna Hedzir (88126)

TABLE OF CONTENTS

PAGE

Declaration	i
Permission to Use	ii
Abstract	iii
Acknowledgement	iv
Table of Contents	v
List of Table	vii
List of Figures	viii
Abbreviations	ix

CHAPTER 1 : INTRODUCTION

Introduction	1
1.1 Background of the Studies	3
1.1.1 Zakah on employment income	4
1.1.2 Zakah calculation method	4
1.2 Problem Statement	6
1.3 Scope of Study	7
1.4 Research Question	7
1.5 Research Objectives	7
1.6 Significance of the Study	8
1.6.1 Contribution to knowledge	8
1.6.2 Contribution to policy makers	8
1.7 Organization of Study	9

CHAPTER 2 : LITERATURE REVIEW

2.0 Introduction	10
2.1 Theory of Reasoned Action	10
2.2 Theory of Planned Behavior	12
2.3 Attitude	15
2.4 Subjective Norm	17
2.5 Perceived Behavior Control	19

CHAPTER 3 : RESEARCH METHODOLOGY

3.0 Introduction	23
3.1 Data Collection and Measurement	23
3.2 Sample	24
3.3 Data Analysis Technique	25

CHAPTER 4 : RESEARCH FINDINGS

4.0 Introduction	26
4.1 Findings	26

CHAPTER 5 : DISCUSSION AND CONCLUSION

5.0 Introduction	35
5.1 Discussion	35
5.2 Limitation	36
5.3 Conclusion	37

REFERENCES	38
-------------------	-----------

APPENDICES

Appendix A : Cover letter	42
Appendix B : Questionnaire	43

	LIST OF TABLES	PAGE
Table 4.1:	Respondents' profile	27
Table 4.2:	Descriptive statistics of Variable	29
Table 4.3:	Cronbach's alpha for attitude, subjective norm, perceived behavior control and intention	31
Table 4.4:	Regression of attitude, subjective norm and perceived behavior control against zakah compliance intention	33

	LIST OF FIGURES	PAGE
Figure 2.1:	Illustration of Ajzen’s theory of planned behavior (Ajzen, 1991)	14
Figure 2.2:	A proposed theoretical framework model for intention to pay zakah on employment income among manufacturing employees	22

ABBREVIATIONS

ATT	Attitude
BI	Behavioral Intention
ITT	Intention
PBC	Perceived Behavior Control
PZS	Subjective Norm
SN	Subjective Norm
TACT	Time, Action, Context and Target
TPB	Theory of Planned Behavior
TRA	Theory of Reasoned Action

CHAPTER ONE

INTRODUCTION

After Islam came to Tanah Melayu, zakah, as well as others pillars of Islam including prayer, fasting and pilgrimage, is regularly performed. In general, zakah can be divided into two categories: zakah fitrah and zakah on wealth. There are many types of zakah on wealth such as zakah on company, zakah on agriculture and zakah on employment income. Zakah revenue can be used in several ways to improve standard of living especially to the Asnaf (or people entitled to zakah fund), who have been specifically highlighted in the Holy Quran.

“Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of God; and for the wayfarer: (thus is it) ordained by God, and God is full of knowledge and wisdom” (Surah Al-Taubah: 60).

The zakah fund can be used to help the Asnaf by providing them with educational aid, finance, training, career and others. Through these aids, the poor and the destitute can actually have opportunities to improve their standard of living. Because of its significance to the economic situation of the society, contributing to zakah is obligatory and as narrated by Muslim, zakah does not reduce wealth but enhances it. According to Nik Mustapha Hj. Nik Hassan (1995), zakah revenue collected by zakah institution is instrumental in eradicating absolute poverty. For

The contents of
the thesis is for
internal user
only

REFERENCE

- 50,000 pekerja Islam dikesan layak bayar zakat (2000, 15 Sept.) *Utusan Malaysia*, p. 25
- Ajzen, I. (1982). On behaving in accordance with one's attitudes. In M. P. Zanna, E. T. Higgins, & C. P. Herman (Eds.), *Consistency in social behavior: The Ontario symposium* (Vol. 2, pp. 3-15). Hillsdale, N.J.: Erlbaum.
- Ajzen, I. (1985). From intention to action: A theory of planned behavior. In J. Kuhl & J. Beckmann (Eds), *Action-control: From cognition to behavior* (pp. 11-39). New York: Springer-Verlag.
- Ajzen, I. (1987). Attitudes, traits and action: Dispositional prediction of behavior in social psychology. *Advances in Experimental Social Psychology*, 20, 1-63.
- Ajzen, I. (1991). Theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50, 179-211.
- Ajzen, I., & Fishbein, M. (1980). *Understanding attitudes and predicting social behavior*. Englewood Cliffs, NJ: Prentice-Hall.
- Ajzen, I., & Madden, T. (1986). Prediction of goal-directed behavior: Attitudes, intentions and perceived behavior control. *Journal of Experimental Social Psychology*, 22, 453-474.
- Ajzen, I., & Driver, B. L. (1992). Application of the theory of planned behavior to leisure choice. *Journal of Leisure Research*, 24, 207-224.
- Ajzen, I. (2002). Attitudes. In R. F. Ballesteros (Ed.), *Encyclopedia of psychological assessment* (Vol. 1, pp. 110-115). London: Sage Publications.
- Arifatul Husna, Zakiyah & Adura (2007). *Entrepreneurial intention among accounting students in Universiti Utara Malaysia (UUM)*. Unpublished report, Faculty of Accountancy, UUM, Sintok.
- Autio, E., Keeley, R. H., Klofsten, M., Parker, G. G. C., & Hay, M. (2001). Entrepreneurial intent among student in Scandinavia and in the USA. *Enterprise and Innovation Management Studies*, 2(2), 145-160.

- Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *J Pers Soc Psychol*, 51, 1173-1182.
- Chang, K. M. (1998). Predicting unethical behavior: A comparison of the theory of reasoned action and the theory of planned behavior. *Journal of Business Ethics*, 17(16), 1825-34.
- Department of Islamic Development Malaysia (JAKIM) (1997). *Keputusan 2: Muzakarah bersetuju bahawa zakat ke atas pendapatan penggajian adalah wajib bagi orang yang layak mengeluarkan zakat*. Available at: www.ii.islam.gov.my/e-fatwa/jakim/keputusan_view
- Elliott, M. A., Armitage, C. J., & Baughan, C. J. (2003). Drivers' compliance with speed limits: An application of the theory of planned behavior. *Journal of Applied Psychology*. 88(5), 964-972.
- Eriksen, K., & Fallan L. (1996). Tax knowledge and attitudes towards taxation: A report on a quasi experiment. *Journal of Economic Psychology*, 17(3), 387-402.
- Fishbein, M. & Ajzen, I. (1975). *Belief, attitude, intention, and behavior: An introduction to theory and research*. Reading, MA: Addison-Wesley.
- Foxall, G. R. (1983). *Consumer choice*. The Macmillan Press Ltd: Hong Kong.
- Groenland, Edward A. G., Veldhoven, Gery M., 1983. Tax evasion behavior: A psychological framework. *Journal of Economic Psychology* 3, 129-144.
- Hale, J. L., Householder, B. J., & Greene, K. L. (2003). The theory of reasoned action In J. P. Dillard & M. Pfau (Eds.), *The persuasion handbook: Developments in theory and practice* (pp. 259-286). Thousand Oaks, CA: Sage.
- Hawkins, D. I., Best, R. J., & Coney, K. A. (1989), *Consumer behavior* (4th ed.). Homewood, Il.: Irwin, Inc.
- Harun Yahya (2006). The Holy Quran – Yusuf Ali Translation, Al – Taubah : 60. *The Holy Quran*. Retrieved February 20, 2009, from [http://www.harunyahya.com/Quran translation/Quran translation9.php](http://www.harunyahya.com/Quran%20translation/Quran%20translation9.php)

- Kamil, M. I. (2002). *Gelagat kepatuhan zakat pendapatan gaji di kalangan kakitangan awam persekutuan Negeri Kedah*. Unpublished PhD dissertation, Universiti Utara Malaysia, Malaysia.
- Kamil, M. I., & Ahmad Mahzan, A. (2001). Attitude towards zakah on employment income: Company outcomes between single core and multidimensional scores. *Malaysian Management Journal*, 5(1/2), 47-63.
- Kamil, M. I., Chek Derashid, & Engku Ismail Engku Ali (1997, Nov). *Zakah penggajian: Suatu tinjauan terhadap pengetahuan dan amalan Muslimin Negeri Perlis*. Paper presented in Research Seminar, Universiti Utara Malaysia, Malaysia.
- Loudon, D. L., & Albert J. D. Bitta (1993). *Consumer behavior: Concept and application* (4th ed.). Singapore: Mc Graw-Hill Book Co.
- Madden, T. J., Ellen, P. S., & Ajzen, I. (1992). A comparison of the theory of planned behavior and the theory of reasoned action. *Personality and Social Psychology Bulletin*, 18, 3-9.
- M. Azizan Abdullah & Noormala Mohd Sa'ad (Jan 2005). Syukur RM108 juta. *Majalah Asnaf*, pp. 28-29.
- Miniard, P. W., & Cohen, J. E. (1989). Modeling personal and normative influences on behavior. *Journal of Consumer Research*, 10(2), 169-80.
- Mohmad Zaki (2008). *Determinant of zakah compliance intention among self-employed income earners in Kubang Pasu and Kota Star*. Unpublished report, Faculty of Accountancy, UUM, Sintok.
- Nik Mustapha Hj. Nik Hassan (1995). *Towards a better economic management: The roles of public and private sectors in Islam*. Institute of Islamic Understanding Malaysia, Kuala Lumpur.
- Nik Mustapha Hj. Nik Hassan. (February 10, 2000). Zakat spurs economic growth too. *The Star*, pp. 29.
- Nunnally J.C. (1978). *Psychometric theory* (2nd ed.). New York: McGraw-Hill.

Pusat Zakat Selangor (2009). *Calculation Method of Zakah on Employment Income*.

Retrieved February 20, 2009 from <http://www.zakatsel.com.my/k-zakat/pendapatan.asp>

Zainol, B. (2008). *Faktor-faktor penentu niat gelagat kepatuhan zakat pendapatan gaji*. Unpublished PhD thesis, Universiti Utara Malaysia.

Zainol, B. & Kamil, M. I. (2008). The role of attitude and subjective norm on intention to comply zakat on employment income. *International Journal of Zakat*, 1(1), 113-134.