

**ZAKAH COMPLIANCE AMONG OWNERS' OF MUTUAL FUNDS
IN SAUDI ARABIA**

AL HAMDAN, ANAS ABDULLAH

UNIVERSITI UTARA MALAYSIA

2012

**ZAKAH COMPLIANCE AMONG OWNERS' OF MUTUAL FUNDS
IN SAUDI ARABIA**

By

AL HAMDAN, ANAS ABDULLAH

Thesis Submitted to the Center for Graduate Student,

Universiti Utara Malaysia,

in Fulfillment of the Requirement for the Degree of Master Since

(International Accounting)

2012

PERMISSION TO USE

In presenting this thesis in partial fulfilment of the requirements for the postgraduate degree of Master of Science (International Accounting) from the Universiti Utara Malaysia, I agree that the University's library may take it freely available for inspection. I further agree that the permission for copying of this thesis in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor or, in absence, by the Deputy vice Chancellor of College of Business. It is understood that any copy or publication or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

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

Dean (Research and Innovation Office)

Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

06010 Sintok. Kedah Darulaman

MALAYSIA

ABSTRACT

This study has been done to examine the relationship between attitude and subjective norms and *zakah* compliance intention among owners' of mutual funds in Saudi Arabia by using the Theory of Reasoned Action (TRA). One hundred and seventy three (173) completed questionnaires were returned that measured respondents' attitude (ATT) towards *zakah* on mutual funds, subjective norm (SN) about *zakah* on mutual funds, and intention (ITT) to pay *zakah* on mutual funds. The findings of the study show that attitude (ATT) and subjective norm (SN) significantly influence *zakah* compliance among owners' of mutual funds. In general, the study proved that the theory of reasoned action is applicable in *zakah* area.

Keywords: Attitude, Subjective Norm, Intention, Zakah

ACKNOWLEDGEMENT

We start with the name of Allah, we praise Allah and thank him for the blessings of completing this study, we humbly ask Allah to raise the rank of our prophet sallallahu ^alayhi wa sallam, and his kind al and companions and followers, we ask Allah to grant us the proper intention, the comprehension, and the reward in the hereafter.

This thesis was written during the second semester of 2011/2012 at Universiti Utara Malaysia in fulfillment of the Master program in International Accounting. Many people have helped me with completion of this study and made the work possible.

First of all, I would like to express my sincere gratitude to my supervisor, Assoc. Prof. Dr. Zainol Bidin for his variable supervision and intelligent guidance during the whole process of the thesis writing. Second, I thank and acknowledge the assistance rendered Alosaimi Mushari, He was very helpful in completion this study.

Special thanks to my friends Debili Rochdi, Mohammad Al Damrat, Almuhammad Alorfi, Wesam Bolbol, Mohammad Ahid, Hamdan Alhamdan, Alaa Alhamdan, and Khalid Alhamdan for their help in distributing and collecting data in Saudi Arabia.

Finally, I wish to take this opportunity to express my deepest thanks to my father Abdullah Nasser Alhamdan and mother Nawal Alobaid for the love and never-ending support they have extended me in every step in my life.

Alhamdan, Anas Abdullah.

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 gualification.

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

Alhamdan Anas Abdullah

806035

College of Business

Universiti Utara Malaysia

06010 Sintok

Kedah

17 December 2012

TABLE OF CONTENT

PAGE

PERMISSION TO USE	i
ABSTRACT	ii
AKNOWLEDGEMENT	iii
DECLARATION	iv
TABLE OF CONTENT	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
1.0 Introduction	1
1.1 Problem Statement	5
1.2 Research Question	6
1.3 Research Objectives	7
1.4 Significance of the study	7
1.5 Organization of the Study	7
2.0 Literature review	9
2.1 Introduction	9
2.2 The Theory of Reasoned Action	9

2.3	Attitude and behavioral intention	12
2.4	Subjective norms and behavioral intention	13
2.5	Summary	15
3.0	Research methodology	16
3.1	Introduction	16
3.2	Population and sampling	16
3.3	Data Collection	17
3.4	Measurements of Constructs	17
3.5	Data Analysis	19
4.0	Research findings	21
4.1	Introduction	21
4.2	Description of Respondents and Variables	21
4.3	Reliability analysis	24
4.4	Factor Analysis	25
4.5	Multiple Regressions Analysis	25
4.6	Summary	26
5.0	Discussion and conclusion	28
5.1	Introduction	28

5.2 Discussion	28
5.3 Limitations	29
5.4 Conclusion	30
References	31
Appendix A – Questioners (English)	35
Appendix B – Questioners (Arabic)	40

LIST OF TABLES

PAGE

Table 4.1: Respondent's profile	22
Table 4.2: Descriptive Statistic of variables	23
Table 4.3: Reliability Analysis of Variables	24
Table 4.4: Factor Analysis Result	25
Table 4.5: Multiple Regression Analysis	26

LIST OF FIGURES

PAGE

Figure 2.1: Theory of Reasoned Action	11
Figure 2.2: Proposed theoretical framework	15

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Praise is to Allah who made certain amount of rich's wealth to the poor and needy "*Zakah*", and peace and blessings be upon the Messenger of Allah who showed us the road leading to the satisfaction of Allah. *Zakah* is the third of the five pillars in Islam. It is an obligation the every Muslim whose meets this conditions; it must be paid to the beneficiaries. Book of Allah has demonstrated that *zakah* is an obligatory, also in the Sunnah of His Messenger (peace be upon him) and with the consensus of all Muslims in the past and in recent. To see the importance of *zakah* in Islamic religion, it has been mentioned in the Quran about thirty times, and it is also associated with prayers, This obligation is also emphasized in a number of sayings of the Prophet (peace and blessing of Allah be upon him) (Dogarawa, 2010).

In addition, *zakah* contributes to the achievement of economic development in the Islamic environment by fighting compactness (Hoarding capital) and encourage spending, especially investment, and also through the strengthening of social cohesion, and economic stability of the community (Al-Morsy, 2004). The distribution of *zakah* funds could help generate and stir the country's economic activities through increase individual's purchasing power, this suggest that the development of the country and the

The contents of
the thesis is for
internal user
only

REFERENCES

- Ahmad, D. (2010). Poverty Alleviation Through Zakah and Waqf institutions: A Case for the Muslim Ummah in Ghana, *Department of Accounting, Ahmadu Bello University, Zaria-Nigeria*, 45-49.
- 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. (1991). The Theory of Planned Behavior. *Organizational Behavior And Human Decision Processes* , 179-211.
- Ajzen, I, & Fishbein, M. (1975). Theory of Reasoned Action as Applied to Moral Behavior: *A Confirmatory Analysis, Journal of Personality and Social Psychology*, 98-101.
- Ajzen, I, & Fishbein, M. (1980). *Understanding attitudes and predicting social behavior*. Englewood Cliffs, NJ: Prentice-Hall.
- Alfaiz, A. (n.d.). *Alphabeta*. Retrieved Oct 28, 2007, from Alphabeta web site: <http://alphabeta.argaam.com>
- Al-Harbi, M. (n.d.). *Alhiad*. Retrieved Aug 12, 2010, from Alhiad web site: <http://www.alhiad.net>
- Alskran, R. (n.d.). *Alriyadah*. Retrieved Aug 11, 2011, from Alriyadah web site: <http://www.alriyadh.com>
- Alnasser, L. (n.d.). *Aawsat*. Retrieved Dec 2, 2008, from Aawsat web site: <http://www.aawsat.com>
- Bagozzi, R. P., Wong, N., Abe, S., & Bergami, M. (2000). Cultural and Situational Contingencies and the Theory of Reasoned Action: Application to Fast Food Restaurant Consumption. *Journal of Consumer Psychology* , 97-106.

- Bidin, Z., Idris, K. M., & Shamsudin, F. (2009). Predicting Compliance Intention on Zakah on Employment Income in Malaysia: An Application of Reasoned action theory. *jurnal pengurusan* , 85-102.
- Chang, m. k. (1998). Predicting Unethical Behavior: A Comparison of the Theory of Reasoned Action and the Theory of Planned Behavior. *Journal of Business Ethics* , 1825-1834.
- Dailh, H. A. (n.d.). *researches and stuies*. Retrieved aug 15, 2010, from islamtoday: <http://islamtoday.net/bohooth>
- DeCoster, J. (1998). Overview of factor analysis retrieved <may 24,2011> from <http://www.stat-help.com/notes.html>
- Hair, J.F. Jr. , Anderson, R.E., Tatham, R.L., & Black, W.C. (1998). *Multivariate Data Analysis, (5thEdition)*. Upper Saddle River, NJ: Prentice Hall.
- Hijazi, M. (2004). Zakat and development in the Islamic environment, *Journal of King Abdulaziz University, Islamic Economics*, Volume 17, Number.
- Hossin, G. (n.d.). *researches and studies*. Retrieved May, 29, 2010, from islamtoday: www.islamtoday.net/bohooth.
- Hung, S.-Y., Chang, C.-M., & Yu, T.-J. (2006). Determinants of user acceptance of the e-Government services: The case of online tax filing and payment system. *Government Information Quarterly* , 97-122.
- Jamal, S. (2011). *Aleqt*. Retrieved Oct, 8, 2011, from Aleqt web side: www.aleqt.com/html
- Muda, M., Marzuki, A., & Shaharuddin, A. (2006). Factors Influencing Individual Participation In Zakat Contribution: Exploratory Investigation. *the Seminar for Islamic Banking and Finance*. Kuala Lumpur: Faculty of Economics and Muamalat, KUIM, Nilai NS.
- Malhotra, N. K. (1983). On Individual Differences in Search Behavior for a Nondurable. *Journal of Consumer Research*, 10, 125-131.

Oliver, R. L., & Bearden, W. O. (1985). Crossover Effects in the Theory of Reasoned Action: A Moderating Influence Attempt. *The Journal of Consumer Research* , 324-340.

Saad, N. (2009). Fairness Perceptions and Compliance Behaviour: The Case of Salaried Taxpayers in Malaysia after Implementation of the Self-Assessment System. *eJournal of Tax Research* , 32-63.

Shimp, T. A., & Kavas, A. (1984). The Theory of Reasoned Action Applied to Coupon Usage. *The Journal of Consumer Research* , 795-809.

The Saudi Stock Exchange (Tadawul) . (n.d.). Retrieved Sep 15, 2010, from <http://www.tadawul.com.sa>