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Factors Determining Zakat Rebate Preferences in Malaysia: Zakat as Tax Deduction

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Abstract

This research aims to analyze factors that could affect preferences for zakat rebates (i.e., zakat as a tax deduction) in Malaysia. In 1967, Malaysia's Income Tax Act legalized zakat and made it tax-deductible. An applied quantitative method (SmartPLS) was used to construct a formative model on Muslims in Malaysia. Participants in the research were economics faculty members from universities in Malaysia. The results show that satisfaction affects preferences for zakat rebates and may prove that Muslims pay zakat because they are satisfied with their zakat institution. Other findings show that Malaysian Muslims only focus on income zakat and not on maal (wealth) zakat, which may be caused by the monthly zakat rebate system. This may be the first research paper that discusses zakat rebate preferences in Malaysia using a theory based on service quality and behavioral consequences.

Keywords: zakat, tax, rebate, Malaysia, income

1. Introduction

Zakat is one of the five pillars of Islam, and it must be paid if the Muslim religion's requirements are to be met. It consists of zakat fitrah (individual) and zakat maal (wealth). The obligation to pay zakat was revealed in Mecca, but it has only been paid since the second year of Hijra. If a Muslim fulfills the requirements to pay zakat, they must pay zakat maal (wealth). In fact, many Muslims do not pay zakat even though it is an obligation.

Zakat has the main function of purifying Muslim's wealth. However, there are other embedded functions related to the benefit of the people. Zakat serves a socio-economic function by contributing to the harmonization of social life through the circulation of wealth between the rich and the poor. Zakat has also specific target of receivers so that it can strengthen community economic activities, especially with the existence of a mechanism for distributing zakat funds through empowerment programs and a productive economy (Nurzaman, 2017). This different from tax which is taken using positive law in some countries.

Zakat creates a large amount of potential wealth to be managed as a public policy instrument. However, in some Muslim countries, such as Malaysia and Indonesia, the collection of zakat funds is still far from optimal because there is no obligation to pay zakat through official institutions recognized by the government. In order for the management of zakat funds to have a major impact on to the welfare of these countries, an incentive mechanism is needed so that people are willing to pay zakat through official institutions.

Many countries, such as Indonesia (in Aceh), Malaysia, Saudi Arabia, Kuwait, and Sudan have already legalized zakat and made it tax-deductible. This policy is expected to be an incentive mechanism that can increase the collection of zakat funds while increasing tax payment compliance and enhancing Muslims' sense of social conditions. However, the implementations of this regulation are different across the above-mentioned countries. Some countries classify zakat as tax-deductible from taxable income, while other countries classify zakat as tax-deductible directly from tax charges. In Prophet Muhammad PBUH time, zakat is the main source of state budget whom many Muslims are pleased not only paying zakat but also sadeqa (charity).

Indonesia and Malaysia have different zakat deduction regulations. In Indonesia, zakat payments can be deducted from taxable income. This is different from Malaysian regulations, where zakat payments can be deducted from tax charges. Only in Aceh (an Indonesian province) is there similar treatment. Consequently, tax payments in Malaysia are lower than in Indonesia. Therefore, it is relevant to discuss the factors affecting preferences for zakat payment methods, especially in the Malaysian context. This is the research gap that would be filled in this paper.

There are three main factors affecting preferences for zakat payment: satisfaction, trust, and motivation. These variables are based on previous research which based on service quality and behavioral consequences. For example, satisfaction is supported by Takidah (2004), Rizal (2006), and Jaelani (2008); trust is supported by Takidah (2004), Rizal (2006), Anugrah (2011), Siswantoro and Nurhayati (2012), and Prasetyo (2013); and motivation is supported by Siswantoro and Nurhayati (2012) and Nurhayati and Siswantoro (2015). However, no updated papers that discuss factors affecting preferences for zakat payment methods were published until 2020.

This paper is aimed at analyzing factors that affect zakat payment in Malaysia. The research gap is that no previous study has performed this analysis with a focus on Malaysia. Malaysia has determined zakat to be tax-deductible since 1967. However, the total amount collected is still small compared to the country's national budget (around 1% of the national budget of 200 billion MYR). Indonesia has a smaller percentage compared to Malaysia, even though Muslims are the majority. This may be caused as no sanction for not paying required zakat.

Most of the previous studies attempted to set credibility, competency, and courtesy (morality) as the independent variables for their research outside of Malaysia. This study attempts to analyze factors affecting zakat payment preferences in Malaysia with reconstructed relevant variables.

The paper begins with a literature review that summarizes all literature concerning zakat

payment preferences, especially where it is conceived as a tax deduction. The research method section explains how the survey was conducted and presents an analysis, which discusses how zakat payments are implemented as tax deductions. Finally, the conclusion reviews key points about zakat being collected through tax deduction in Malaysia. This may be the first paper that discusses factors affecting zakat payment preferences in Malaysia by comparing it with Indonesia.

2. Literature Review

Zakat is the third pillar of Islam and is obligatory for Muslims who meet the requirements. It is different than shalat (praying) and fasting, which can be conducted or replaced in a more flexible way. The interesting issue with zakat payment is that Muslims may pay zakat, but instead of the money going to an authorized institution, it is disbursed directly to the receiver (8 groups/asnaf). The perceptions of zakat institutions among Muslims are suspected to play an important role as incentives for Muslims to pay zakat, especially when zakat is tax-deductible.

The basic theory of incentives relevant to zakat has focused on service quality and behavioral consequences, which are discussed by Zeithaml et al. (1996). These were initially referred to by Rizal (2006), Anugrah (2011), and finally, by Siswantoro and Nurhayati (2012), who added altruism and reward components as motivating factors. These were later referred to by Sariningrum (2011).

Nurhayati and Siswantoro (2015) conducted research on Aceh, which decreed in 2006 that zakat was tax-deductible but has not yet implemented the law. The only factor that was positively significant in this study was the preference for zakat payment as a tax deduction. This might become a compelling reason, as zakat has not been implemented as a tax deduction, even though the regulation has been issued.

The theory used in the existing research applies service quality and behavioral consequences, which were introduced by Zeithaml et al. (1996). Umar (2000) emphasized assurance, which consists of credibility, competence, and courtesy. Pena et al. (2013) reduced the ten components of service quality to five components. Assurance consists of the three components above along with security.

Table 1: Supporting research in the previous model

Independent variable	Dependent variable	Result	Source
Satisfaction	Commitment	(+) Sig. ***	Takidah (2004)
	Preference	(+) Sig. ***	Rizal (2006)
	Zakat Payment	(+) Sig. ***	Jaelani (2008)
	Preference	(+)	Anugrah (2011)
	Preference	(-)	Siswantoro and Nurhayati (2012)
	Preference	(-)	Prasetyo (2013)
Motivation	Zakat Payment	(+)	Saringrum (2011)
	Preference	(+) Sig. **	Siswantoro and Nurhayati (2012)
	Preference	(+) Sig. **	Siswantoro and Nurhayati (2015)

Source: Research reviewed above

Rizal (2004) claimed that credibility, competence, and courtesy can be classified as trust components, while Awoke (2015) stated that assurance can be defined as employees' ability to convey confidence and trust. However, the components of service quality can be increased, as in the case of electronic service quality, so there is a total of eleven components. In this paper, assurance has a similar meaning as trust, while confidence is part of trust, which is conveyed to customers through the clear and truthful transmission of information (Parasuraman et al., 2005). Therefore, credibility,

competency, and courtesy should be added to the service quality components, as they are not as relevant to zakat payment preferences as trust components (Nurhayati & Siswantoro, 2015). This view refers to the basic model of Zeithaml et al. (1996), which is supported by Umar (2000). This is different from the previous model, which defined credibility, competency, and courtesy (morality) as an independent variable of trust. However, satisfaction was significant in previous research (Takidah, 2004; Rizal, 2006; Jaelani, 2008) (see Table 1). This is the novelty of the paper which fills the gap of previous literatures.

Satisfaction has a significant effect on zakat payment preferences. This has been supported by Takidah (2004), Rizal (2006), and Jaelani (2008). They used reliability, responsiveness, assurance, empathy, and tangibility as proxies for satisfaction. This includes credibility, competence, and courtesy, which, in the previous studies, were included in trust. Here, it would replace assurance as a proxy for satisfaction. Therefore, we have our first hypothesis:

H1: Satisfaction has a positive effect on preferences for zakat payment methods.

Meanwhile, motivation also has a significant effect on zakat payment preferences. This is supported by Siswantoro and Nurhayati (2012) and Siswantoro and Nurhayati (2015). Thus, we can form a second hypothesis:

H2: Motivation has a positive effect on preferences for zakat payment methods.

3. Research Method

The research applies a quantitative method using SmartPLS, which is based on the variance and prediction formative construct model. This is the best research method for this case as stated in the previous literature. To prevent any misunderstanding of the issue of zakat being a tax rebate, the research participants were academic faculty in the field of economics from universities in Malaysia. Out of the total number of questionnaires sent, there were 554 respondents by email and 45 respondents by WhatsApp message. The total number of questionnaires filled out was 53, which was sufficient for SmartPLS analysis.

Hair et al. (2019) identifies some reasons that researchers would choose PLS-SEM:
1. Their research uses theoretical framework testing.
2. The structural model of research is complex.
3. The research objective will be better understood by exploring a theoretical framework.
4. The path model consists of one or more formative constructs.
5. The research consists of financial ratios or similar types of data artifacts.
6. The research is based on primary data, which may lack comprehensive substantiation on the grounds of measurement theory.
7. A small population restricts the sample size, but PLS-SEM also works very well with large sample sizes.
8. Distribution issues, such as a lack of normality, are a concern.
9. The research requires latent variable scores for follow-up analysis.

From these items stated, the research applies this method.

Before the questionnaire was sent to respondents in Malaysia, it was reviewed by some experts from Malaysia in order to ensure comprehensiveness. Some statements were revised to avoid misunderstanding and biased information. However, once the questionnaire was distributed to respondents, the researcher still clarified information for respondents wherever necessary.

The research model is illustrated in Figure 1. Satisfaction and motivational factors affect preferences for zakat collection methods. Satisfaction consists of empathy, responsiveness, reliability, tangibility, credibility, competency, and courtesy. Motivation consists of altruism and reward factors. Descriptions of the codes and factors are given in an appended table.
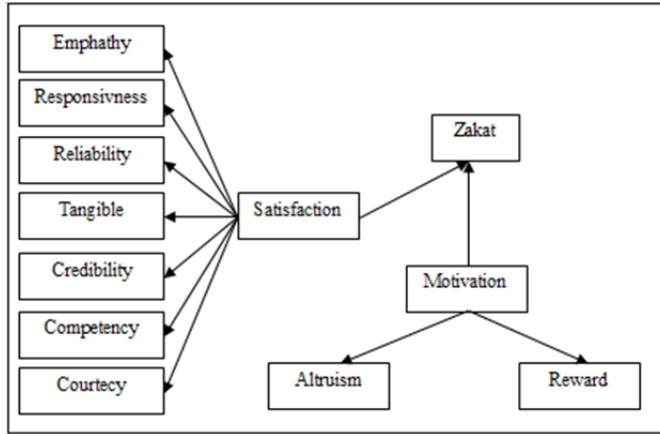
Figure 1: Research model

4. Analysis

The response to the question about whether zakat should be a tax deduction was quite high (4.4151). This means that most respondents agreed with that statement. This is different from Nurhayati and Siswantoro's (2015) finding in Aceh, Indonesia, which was only 3.336; therefore, the participants may not be confident about the issue. In Aceh, zakat has not yet been implemented as a tax deduction, even though it is required to be by the Act. No supporting tax act has accommodated this treatment. Thus, the increased average response in Malaysia can be justified (see Table 2).

The highest average was for motivation components, and the lowest was for the component of "feeling happy if others know that I pay zakat." This contradiction may arise because there is no direct way for a Muslim to show off to the public when they pay zakat. This may be good if zakat payers do not want to be publicized: zakat is like other forms of worship in that others should not be informed about it. However, the positive side is that people could be inspired to do the same when they see others paying zakat.

Table 2: Descriptive Statistics on Respondent Preferences

Variable	N	Minimum	Maximum	Mean
m2	53	3	5	4.7736
m1	53	3	5	4.7358
m3	53	3	5	4.5849
s1	53	2	5	4.4151
z	53	1	5	4.4151
s10	53	3	5	4.3208
s9	53	2	5	4.2453
s3	53	3	5	4.2264
s4	53	3	5	4.1887
t5	53	2	5	4.1698
t9	53	3	5	4.1321
t7	53	3	5	4.1132
s11	53	3	5	4.0943
s13	53	3	5	4.0943
t10	53	3	5	4.0943
t1	53	3	5	4.0755

Variable	N	Minimum	Maximum	Mean
t3	53	2	5	4.0755
s12	53	2	5	4
t8	53	2	5	4
t4	53	2	5	3.9623
s2	53	2	5	3.9434
t6	53	2	5	3.8679
t2	53	1	5	3.8113
m4	53	1	5	3.0377

There were respondents who did not have tax registration numbers; this number was small compared to what was found in Aceh. In Indonesia, the number of respondents without registration numbers was 35.9% (Nurhayati & Siswantoro, 2015). Only 11.3% of respondents in Malaysia were similar. Among those respondents, 3.8% were female and 7.5% were male. Please refer to Table 3 for a detailed representation of this data.

Table 3: Cross-Tabulation of Tax Number and Sex

			Tax Registration Number		Total
			No	Yes	
Sex	Female	Count	2	24	26
		% of Total	3.8%	45.3%	49.1%
	Male	Count	4	23	27
		% of Total	7.5%	43.4%	50.9%
Total		Count	6	47	53
		% of Total	11.3%	88.7%	100.0%

Some Muslims still allocate zakat directly to the recipient rather than to an institution, and they can then claim it as a zakat rebate (see Table 4). This proportion is smaller compared to Indonesia (36.5% compared to 20.8%) (Nurhayati & Siswantoro, 2015). However, the percentage of Muslims who pay zakat via an agency is quite high (67.9%) compared to Aceh (13.2%). This shows that if zakat is a tax deduction, Muslims are more inclined to pay through authorized zakat agencies. In addition, zakat collection units can distribute zakat funds themselves after the funds are paid to authorized zakat agencies. This process is flexible and uncomplicated, so the funds can still be allocated directly to the specified receivers.

Table 4: Cross-Tabulation of Company-Type Payers and Zakat Destinations

			Zakat Destination				Total
			Direct	Not yet	Others	Agency	
Type of Employer	Government	Count	8	1	3	24	36
		% of Total	15.1%	1.9%	5.7%	45.3%	67.9%
	Multinational	Count	0	0	0	3	3
		% of Total	.0%	.0%	.0%	5.7%	5.7%
	Others	Count	0	1	0	3	4
		% of Total	.0%	1.9%	.0%	5.7%	7.5%
	Private	Count	1	1	0	6	8
		% of Total	1.9%	1.9%	.0%	11.3%	15.1%
	State-Owned	Count	2	0	0	0	2
		% of Total	3.8%	.0%	.0%	.0%	3.8%
Total		Count	11	3	3	36	53
		% of Total	20.8%	5.7%	5.7%	67.9%	100.0%

There are specific arguments for paying zakat directly to recipients, as these zakat payers may know more about surrounding conditions compared to zakat institutions. However, this scheme can be conducted with the support of an agent or amil (zakat manager). So the mechanism comes first: zakat is given to a zakat institution, and then some portion of it is disbursed to the targeted recipients. However, this must be under a registered zakat collection unit.

Even some people who have a higher education are unaware that zakat can be deducted from tax. In Aceh, only 23.4% of the respondents knew this, while in Malaysia, the percentage was 92.5% (see Table 5). This may be because, in Aceh, the Act has not yet been effective. In addition, it has not been widely publicized that zakat is tax-deductible, so not many people are aware of this issue. Discussions of treating zakat as a tax deduction are also limited in Malaysia. Only a few lines in taxation textbooks mention it.

In Malaysia, the amount of a zakat rebate cannot exceed the tax payable amount. So, a zakat payer can claim all zakat up to the tax payable as a deduction. For example, if the tax payable is 200MYR, and he has paid zakat 30MYR, he only has to pay 170MYR in taxes. The maximum zakat rebate is 200MYR. The zakat payer must provide a receipt as proof if there is an audit. Otherwise, there will be a large fine.

The other effective tool to publicize paying zakat as a tax deduction is offering direct deductions to each company and institution that collects tax. Authorized zakat institutions should approach companies or institutions and propose this. If there is a good mechanism to set up a tax deduction system directly through companies, zakat payment can be convenient.

Table 5: Cross-Tabulation of Education and Zakat as Tax Deduction

| | | | Zakat as Tax Deduction | | Total |
			No	Yes	
Education	Diploma	Count	0	1	1
		% of Total	.0%	1.9%	1.9%
	Doctoral	Count	2	26	28
		% of Total	3.8%	49.1%	52.8%
	Master	Count	2	15	17
		% of Total	3.8%	28.3%	32.1%
	Undergraduate	Count	0	7	7
		% of Total	.0%	13.2%	13.2%
Total		Count	4	49	53
		% of Total	7.5%	92.5%	100.0%

In Indonesia, zakat is claimed as a taxable income deduction at the end of the year, causing overpaid tax. Muslims usually propose restitution of this overpaid tax. In Malaysia, on the other hand, they can deduct tax from zakat each month, so they will only pay net tax. Overpaid taxes can be sent back if they do not claim this zakat each month, but only at the end of the year. The biggest reason not to have restitution of tax in Malaysia is laziness (see Table 6). This may be because they have made claims in each month, so they rarely claim restitution.

Table 6: Cross-Tabulation of Zakat Maal Payment and Non-Restitution

| | | | Reason for Non-Restitution | | | | | Total |
			Disagree	Complicated	Difficult	Lazy	Others	
Zakat Maal Payment	No	Count	1	3	2	4	8	18
		% of Total	1.9%	5.7%	3.8%	7.5%	15.1%	34.0%
	Yes	Count	1	0	0	33	1	35
		% of Total	1.9%	.0%	.0%	62.3%	1.9%	66.0%
Total		Count	2	3	2	37	9	53
		% of Total	3.8%	5.7%	3.8%	69.8%	17.0%	100.0%

Some respondents still did not pay zakat maal, as they might have thought it is the same as zakat salary (25.8%). They were in the 5,000–10,000MYR and 10,000–20,000MYR groups of monthly income. But total respondents were better in Indonesia, where only 50.6% of people pay zakat. The amount of zakat maal is always smaller in this case (see Tables 7 and 8). In theory, zakat maal should be higher compared to salary zakat, as zakat maal is the main obligation of zakat.

Problems also would occur if people paid both zakat maal and salary zakat, as they would be paying double tax. Net salary after zakat should be excluded from the zakat maal calculation; otherwise, it can cause zakat to be calculated twice. This net salary after zakat would be included in the next year's zakat maal calculation. The other promising proposal is to compensate zakat maal in the beginning of the year to an anticipated high amount, as the amount of tax may be small. Thus, the compensated zakat amount would be decreased for the following month if it had to cover the current tax amount.

Table 7: Cross-Tabulation of Income and Zakat Maal Payment

Income (in MYR)		Zakat Maal (Wealth) Payment		Total
		No	Yes	
< 1,400	Count	1	1	2
	% of Total	1.9%	1.9%	3.8%
1,400 –	Count	3	1	4
	% of Total	5.7%	1.9%	7.5%
>5,000 –	Count	10	17	27
	% of Total	18.9%	32.1%	50.9%
>10,000-	Count	5	9	14
	% of Total	9.4%	17.0%	26.4%
>20,000	Count	0	6	6
	% of Total	.0%	11.3%	11.3%
Total	Count	19	34	53
	% of Total	35.8%	64.2%	100.0%

Table 8: Cross-Tabulation of Zakat Salary Payment and Income

Income (in MYR)		Zakat Salary (Income) Payment		Total
		No	Yes	
< 1,400	Count	1	1	2
	% of Total	1.9%	1.9%	3.8%
1,400 –	Count	2	2	4
	% of Total	3.8%	3.8%	7.5%
>5,000 –	Count	3	24	27
	% of Total	5.7%	45.3%	50.9%
>10,000-	Count	0	14	14
	% of Total	.0%	26.4%	26.4%
>20,000	Count	0	6	6
	% of Total	.0%	11.3%	11.3%
Total	Count	6	47	53
	% of Total	11.3%	88.7%	100.0%

Some female zakat payers do not pay zakat maal; however, salary zakat is almost similar between male and female respondents who do not pay this zakat (see Tables 9 and 10). Zakat is charged to any Muslim, female or male, if they fulfill the minimum requirements of zakat maal. In this case, women

may not have been required to pay zakat maal, so the number is smaller than for male zakat payers. There needs to be further research on why female respondents do not pay zakat maal.

Table 9: Cross-Tabulation of Sex and Zakat Maal Payment

			Zakat Maal Payment		Total
			No	Yes	
Sex	Female	Count	12	14	26
		% of Total	22.6%	26.4%	49.1%
	Male	Count	7	20	27
		% of Total	13.2%	37.7%	50.9%
Total		Count	19	34	53
		% of Total	35.8%	64.2%	100.0%

Table 10: Cross-Tabulation of Sex and Zakat Salary Payment

			Zakat Salary Payment		Total
			No	Yes	
Sex	Female	Count	2	24	26
		% of Total	3.8%	45.3%	49.1%
	Male	Count	4	23	27
		% of Total	7.5%	43.4%	50.9%
Total		Count	6	47	53
		% of Total	11.3%	88.7%	100.0%

28.3% of respondents paid zakat salary but not zakat maal, while only 3.8% did not pay zakat salary but paid zakat maal (see Table 11). Those who paid both should be concerned with the double zakat. Four respondents did not pay zakat maal or salary. One respondent's income was below 1400 MYR. Two respondents had incomes above 1400–5000 MYR, and one respondent had an income above 5000–1000 MYR. However, there are no sanctions for Muslims who are qualified as zakat payers.

Table 11: Cross-Tabulation of Maal and Zakat Salary Payment

|			Zakat Salary Payment		Total
			No	Yes	
Zakat Maal Payment	No	Count	4	15	19
		% of Total	7.5%	28.3%	35.8%
	Yes	Count	2	32	34
		% of Total	3.8%	60,4%	64.2%
Total		Count	6	47	53
		% of Total	11.3%	88.7%	100%

The highest percentage that did not pay zakat maal was comprised of married respondents (see Table 12). Zakat is based on wealth, which means that even if one's salary is high, it does not necessarily classify one as a zakat payer. If people have debt and high consumption, zakat would be paid for

through deductions from their assets. If the zakat amount is lower than the minimum required assets, they do not qualify as zakat payers.

Table 12: Cross-Tabulation of Status and Zakat Maal Payment

			Zakat Maal Payment		Total
			No	Yes	
Status	Divorced	Count	2	2	4
		% of Total	3.8%	3.8%	7.5%
	Married	Count	13	29	42
		% of Total	24.5%	54.7%	79.2%
	Single	Count	4	3	7
		% of Total	7.5%	5.7%	13.2%
Total		Count	19	34	53
		% of Total	35.8%	64.2%	100.0%

The model below applies the repetitive model with two main factors: satisfaction and motivation. This model is referred to by Nurhayati and Siswantoro (2015) with a slight modification. They integrate the basic model of Umar (2000), who adds credibility, competence, and courtesy as assurance component replacements (see Figure 2). In previous studies, such as those of Takidah (2004) and Jaelani (2008), the satisfaction variable was significant to zakat payment preferences.
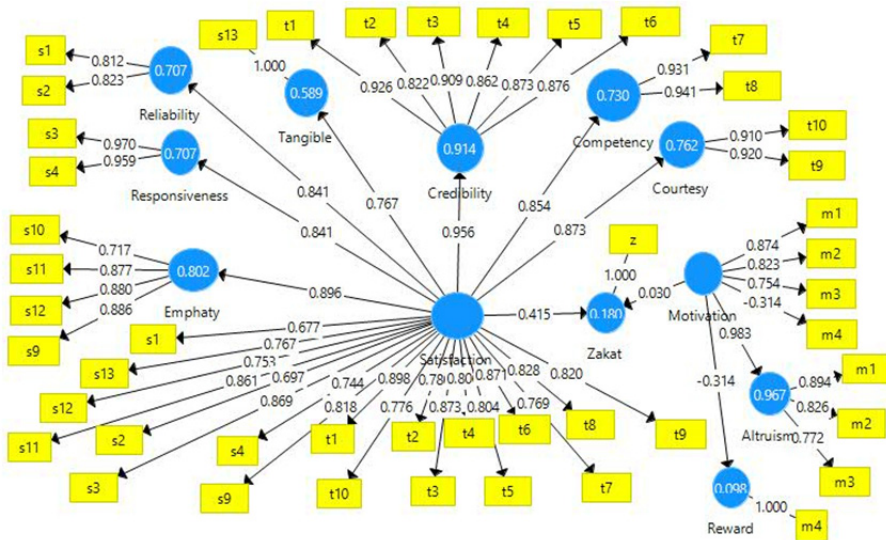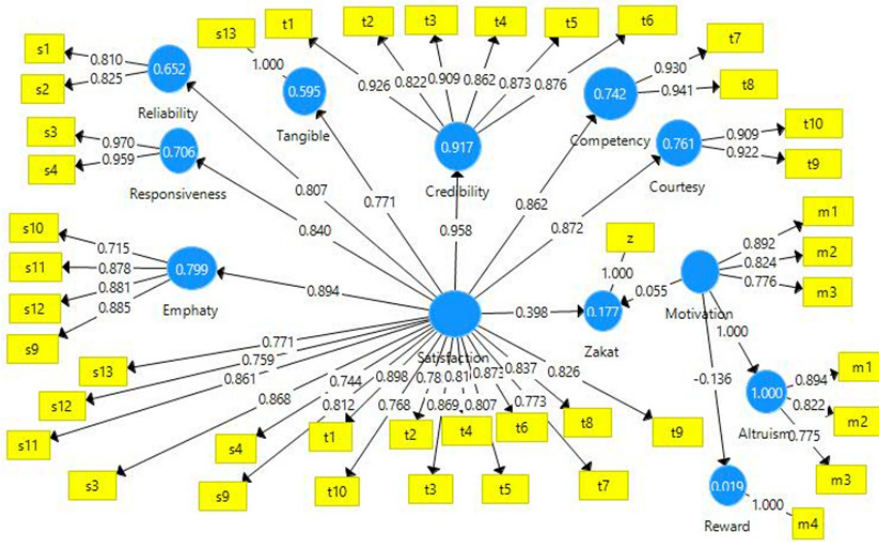

Figure 2: First Model

Figure 3: Model 2 after factor loading > 0.7

S1, s2, and m4 (the repetitive model) are eliminated, as they are below 0.7 (see Figure 3). This is to meet the factor loading criterion, as this component is weak in the model. Bootstrapping is then applied to see the significance of each variable affecting preferences for zakat rebates.
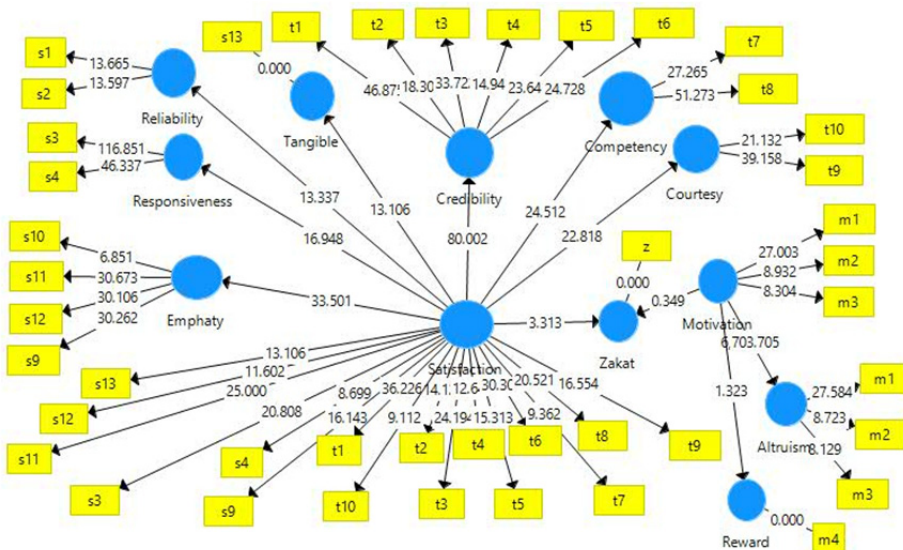

Figure 4: Bootstrapping

The model fulfills SmartPLS's assumptions. For example, the average variance extracted (AVE) was above 0.5 (see Table 13). Other assumptions, such as composite reliability and Cronbach alpha, must be above 0.7. All indicators must be met in the model.

Table 13: Results of Smart PLS

	R-square	Composite Reliability	Cronbach Alpha	AVE
Altruism	1	0.871	0.776	0.692
Competency	0.742	0.934	0.858	0.875
Courtesy	0.761	0.912	0.806	0.838
Credibility	0.917	0.953	0.941	0.772
Empathy	0.799	0.907	0.863	0.71
Motivation		0.871	0.776	0.692
Reliability	0.652	0.801	0.504	0.668
Responsiveness	0.706	0.964	0.926	0.931
Reward	0.019	1	1	1
Satisfaction		0.97	0.967	0.669
Tangible	0.595	1	1	1
Zakat	0.177	1	1	1

Satisfaction significantly affected zakat payment preferences. All satisfaction components have high t-statistics, which are significant to zakat payment preferences. Thus, credibility, competence, and courtesy are significant to zakat payment preferences (see Table 14 and Figure 4). This evidence is different from Nurhayati and Siswantoro's (2015) findings. Zakat payers in Malaysia were satisfied with Malaysia's zakat institutions and systems. However, they did not have a strong motivation to conduct zakat as a tax deduction, as it is already deducted.

Table 14: Results of Bootstrapping Test

	Original Sample	Sample (Mean)	Standard Deviation	T-Statistic	P-Value
Motivation → altruism	1	1	0	6703.7	0
Satisfaction → credibility	0.958	0.957	0.012	80	0
Satisfaction → empathy	0.894	0.896	0.027	33.5	0
Satisfaction → courtesy	0.872	0.870	0.038	22.8	0
Satisfaction → competency	0.862	0.861	0.035	24.5	0
Satisfaction → responsiveness	0.840	0.834	0.05	16.9	0
Satisfaction → reliability	0.807	0.805	0.061	13.3	0
Satisfaction → tangible	0.771	0.772	0.059	13.1	0
Satisfaction → zakat	0.398	0.389	0.12	3.3	0
Motivation → zakat	0.055	0.065	0.158	0.3	0.727
Motivation → reward	-0.136	-0.15	0.103	1.32	0.187

The credibility of the zakat unit in Malaysia is higher than in other countries. Awoke (2015) claimed that assurance was employees' ability to convey confidence and trust. Trust in the muzakki is an important part of the credibility of zakat institutions. Parasuraman et al. (2005) stated that confidence is part of trust, which is conveyed to customers by conveying information clearly and truthfully.

Figure 4 contains a flow diagram representing the institutional mechanism of the zakat system in Malaysia. The closeness relationship between muzakki and zakat, combined with credibility, competency, and courtesy, increases service quality; this, in turn, has significant effects on zakat payment preferences (Nurhayati & Siswantoro, 2015). The mechanism of zakat exchange between zakat institutions and zakat recipients can be seen in Figure 5.
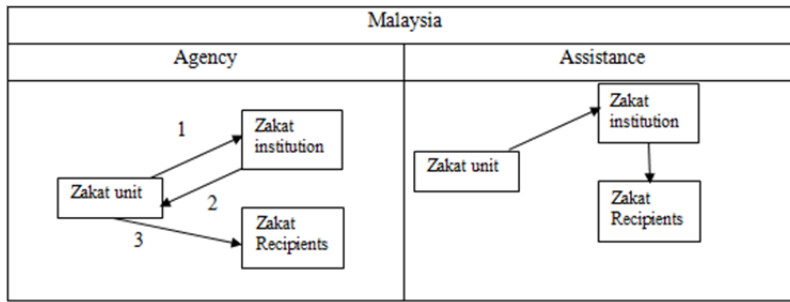
Figure 5: Zakat Mechanism

5.   Conclusion

Analyzing zakat, the third pillar of Islam, is an interesting issue in some countries. In Malaysia, zakat can be deducted as tax (the zakat rebate). However, the total zakat collected is still small (1% of the annual budget). This may be due to the lack of sanctions for those who do not pay zakat. In addition, Muslims may assume that if they have paid salary zakat, they do not need to pay zakat maal. Restitution of overpaid tax is not common in Malaysia, as they can claim zakat as a tax deduction each month.

Satisfaction is a significant factor in preferences for zakat payments being made as tax deductions, while the motivation factor is not significant. This shows that zakat payers are satisfied with the zakat institutions and systems in Malaysia. Credibility, competence, and courtesy contributed significant factors to the model. The five components of service quality were not relevant here. The components of assurance also made a positive contribution to the model. These are the interesting findings in this research.

Further research for this research area is by increasing the sample size and adding other relevant variables. So far, only Malaysia and Indonesia apply zakat as a tax deduction. However, the limitation of this paper is the sample is not varied as it is mostly the academics who understand the issue.

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Appendix: List of Questions

No	Group	Subgroup	Code	Statement
1	Satisfaction	Reliability	s1	The zakat agency's procedure of accepting zakat payments is prompt and good
2	Satisfaction	Reliability	s2	Zakat is effectively distributed to the targeted beneficiaries
3	Satisfaction	Responsiveness	s3	The staff of the zakat agencies responsively provide information about zakat
4	Satisfaction	Responsiveness	s4	The staff of the zakat agency provides easy-to-understand information
9	Satisfaction	Empathy	s5	I find it easy to contact the zakat agency
10	Satisfaction	Empathy	s6	I can use the technological facilities to pay the zakat at the zakat agency
11	Satisfaction	Empathy	s7	The zakat agency always maintains a good relationship with zakat payers
12	Satisfaction	Empathy	s8	The zakat agency always provides information easily
13	Satisfaction	Tangible	s9	The office of the zakat agency is neat and nice
14	Satisfaction	Credibility	t1	The zakat agency is trustworthy in managing the zakat funds
15	Satisfaction	Credibility	t2	The manager of the zakat agency effectively distributes the zakat to the mustahik (zakat receiver)
16	Satisfaction	Credibility	t3	The zakat agency has high credibility
17	Satisfaction	Credibility	t4	The zakat agency is trusted by the public
18	Satisfaction	Credibility	t5	I trust the zakat agency
19	Satisfaction	Credibility	t6	The zakat agency has been transparent in their job
20	Satisfaction	Competency	t7	The staff of the zakat agency has knowledge, experience, and competence about zakat.
21	Satisfaction	Competency	t8	The staff of the zakat agency can manage zakat funds well
22	Satisfaction	Courtesy	t9	The management of the zakat agency has good morality.
23	Satisfaction	Courtesy	t10	The staff of the zakat agency are always physically tidy
24	Motivation	Altruism	m1	I am glad to pay zakat because I want to help the poor
25	Motivation	Altruism	m2	I feel pity when I see the poor
26	Motivation	Altruism	m3	I feel tranquil after paying the zakat
27	Motivation	Reward	m4	I feel glad when I know that other people know that I have paid zakat
28	Zakat	Zakat	Z	Zakat is deducted from the tax that I pay